

OVERVIEW OF GOVERNOR SNYDER'S FY 2016-17 BUDGET



**Ellen Jeffries, Director
SENATE FISCAL AGENCY**

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Summary

Overview of Governor Snyder's FY 2016-17 Budget

On February 10, 2016, Governor Rick Snyder presented his fiscal year (FY) 2016-17 State Budget Message and his budget projections for FY 2017-18. Pursuant to an Attorney General's letter opinion issued on February 9, 2011, the Governor is allowed to propose a two-year budget and the Legislature can enact a two-year budget but the second year would be only an expression of an "intent to appropriate", not binding or legally enforceable. This overview will focus on Governor Snyder's FY 2016-17 appropriation recommendation.

The FY 2016-17 budget recommendation from the Governor is based on the consensus revenue estimates agreed to on January 14, 2016. The FY 2016-17 General Fund/General Purpose (GF/GP) consensus revenue estimate is \$10.2 billion. This represents a 3.8% increase from the FY 2015-16 GF/GP consensus revenue estimate. The FY 2016-17 School Aid Fund (SAF) consensus revenue estimate is \$12.5 billion, a 2.9% increase from the FY 2015-16 consensus revenue estimate. The Governor's FY 2016-17 recommendation assumes a December 31, 2016, expiration of the Medicaid managed care use tax; tied to the that expiration is reversion of the Health Insurance Claims Assessment (HICA) rate from 0.75% to 1.0%. The Governor's budget assumes passage of legislation to delay the HICA sunset, which would increase HICA revenue by approximately \$260.0 million but not until FY 2017-18. The Governor's FY 2016-17 recommendation also includes \$16.5 million in fee adjustments and clarifying amendments to the insurance tax credit that would increase GF/GP revenue by an estimated \$60.0 million in FY 2015-16 and \$80.0 million in FY 2016-17.

The Governor recommends FY 2016-17 Adjusted Gross appropriations of \$54.0 billion. Included in this appropriation total are \$22.5 billion of Federal funds, \$395.3 million of local and private funds, \$21.1 billion of State Restricted revenue, and \$10.0 billion of GF/GP revenue. Table 1 outlines the sources of funding for each department and budget area included in the Governor's recommendation; Figures A and B provide illustrations of the total funding by source and major spending category. Compared with FY 2015-16 year-to-date appropriations, the Governor's FY 2015-16 budget includes an Adjusted Gross appropriation increase of \$421.3 million or 0.8%, an increase in State Spending from State Resources appropriations of \$992.3 million or 3.3%, and an increase in GF/GP appropriations of \$122.7 million or 1.2%.

The primary reasons for the increase in State Spending from State Resources appropriations are costs associated with Medicaid match and specialty pharmaceutical drugs in the Department of Health and Human Services, and funding increases in the School Aid budget for the foundation allowance, the Michigan Public School Employees Retirement System's rate cap, and financing for the Detroit Public Schools. Tables 2-4 compare the Governor's FY 2016-17 recommendation for Adjusted Gross, State Spending from State Resources, and GF/GP appropriations with the FY 2015-16 year-to-date appropriations. Table 5 compares the FY 2016-17 recommended number of 52,920.2 full-time equated (FTE) positions to the FY 2015-16 level of 52,692.9 FTEs, an increase of 227.3 positions or 0.4%.

The FY 2016-17 recommendation includes appropriations that the Governor has designated as either "ongoing" or "one-time". Table 6 outlines the proposed FY 2016-17 one-time Adjusted Gross and GF/GP appropriations of \$512.5 million and \$334.0 million, respectively. Although the Governor's FY 2016-17 budget does not include an appropriation to the Budget

Stabilization Fund, it does include an \$86.1 million (\$30.0 million GF/GP) appropriation to a pharmacy reserve in the Department of Health and Human Services for costs associated with new specialty pharmacy products that may reach the market during the year.

Table 7 lists the estimated State payments to local units of government for FYs 2015-16 and 2016-17, of \$16.8 billion and \$17.2 billion, respectively. The estimate for FY 2016-17 would result in a surplus of these "Section 30" payments of more than \$2.0 billion.

Tables 8 and 9 present the GF/GP and SAF balance sheets for FY 2015-16, FY 2016-17, and FY 2017-18, which reflect positive ending balances for all three fiscal years.

In addition to recommendations for FY 2016-17, the Governor's budget proposal includes \$330.1 million Gross (\$381.7 million GF/GP) of supplemental requests for FY 2015-16. As outlined in Table 10, \$156.7 million Gross (\$131.0 million GF/GP) of the total supplemental requests is related to the Flint water emergency, including a \$50.0 million Flint Emergency Reserve Fund. The Governor also recommends \$38.7 million Gross (\$24.6 million GF/GP) for the Flint water emergency in his FY 2016-17 budget. If all of the Governor's requests are approved and are combined with appropriations already enacted, there will be an estimated cumulative State appropriation of \$232.8 million Gross (\$185.4 million GF/GP) for the Flint water emergency. The \$381.7 million of FY 2015-16 GF/GP supplemental requests also includes \$165.0 million for a new Infrastructure Fund that is not specifically related to Flint.

The total GF/GP dollar change from FY 2015-16 to FY 2016-17 is an increase of \$122.7 million. Table 11 shows that the \$122.7 million increase consists of \$28.4 million of GF/GP funding for new programs, \$754.6 million of GF/GP funding increases, \$466.0 million of GF/GP funding reductions, a \$263.3 million GF/GP decrease due to fund shifts, \$0.3 million for an unclassified salaries increase and an increase of \$68.8 million in GF/GP economic adjustments. Tables 12-15 provide the details of these GF/GP changes.

The FY 2016-17 School Aid Fund budget changes proposed by the Governor are outlined in Table 16. As the table indicates, the net change in SAF appropriations is an increase of \$282.4 million. This \$282.4 million change consists of \$45.5 million for new programs, \$419.3 million of funding increases for existing programs, and \$182.4 million of funding reductions.

Table 17 lists the Governor's proposed fee adjustments for FY 2016-17. Following the fee table, there is a summary of the HICA and Medicaid managed care use tax issue. Tables 18-28 outline background information regarding major budget areas and other general appropriation issues, and Tables 29-38 provide recent State appropriation history.

On an overall basis, the Governor's FY 2016-17 budget proposal increases Adjusted Gross appropriations by 0.8%, State Spending from State Resources appropriations by 3.3%, and GF/GP appropriations by 1.2%. Part of the reason for the lower increase in GF/GP appropriations is the shift of nearly \$400.0 million of FY 2015-16 GF/GP appropriations from the Department of Transportation to other areas of the budget in FY 2016-17. Just as in his previous five budgets, the Governor's sixth budget message includes performance measures for State programs.

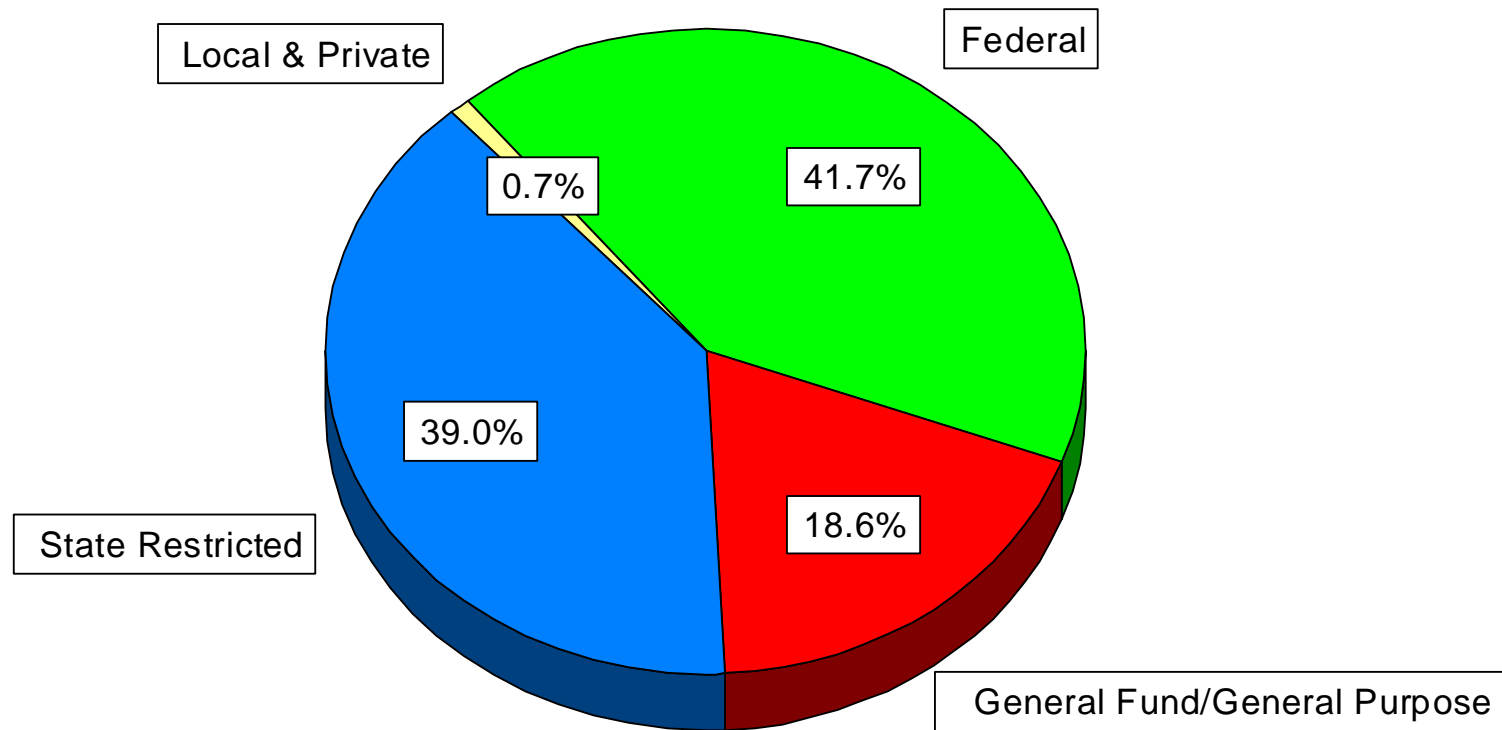
Table 1

FY 2016-17 GOVERNOR'S RECOMMENDATION BY SOURCE OF FUNDS							
Department/Budget Area	Gross	IDGs	Adjusted Gross	Federal	Local & Private	State Restricted	General Fund/ General Purpose
Agriculture & Rural Development	\$91,591,300	\$323,200	\$91,268,100	\$10,471,200	\$130,700	\$32,629,300	\$48,036,900
Attorney General	95,185,800	28,989,700	66,196,100	9,476,700	0	17,578,900	39,140,500
Capital Outlay	0	0	0	0	0	0	0
Civil Rights	16,721,900	293,600	16,428,300	2,763,000	18,700	151,900	13,494,700
Community Colleges	399,025,600	0	399,025,600	0	0	260,414,800	138,610,800
Corrections	2,029,386,100	0	2,029,386,100	5,523,700	8,692,800	35,711,700	1,979,457,900
Education	316,917,400	0	316,917,400	225,164,100	7,591,400	7,780,700	76,381,200
Environmental Quality	513,499,400	9,225,700	504,273,700	138,687,200	555,300	317,344,800	47,686,400
Executive	5,636,300	0	5,636,300	0	0	0	5,636,300
Health & Human Services	24,707,967,700	13,513,700	24,694,454,000	17,734,683,600	280,171,600	2,328,831,500	4,350,767,300
Higher Education	1,598,654,400	0	1,598,654,400	99,026,400	0	237,209,500	1,262,418,500
Insurance & Financial Services	66,307,200	707,600	65,599,600	2,000,000	0	63,449,600	150,000
Judiciary	298,261,400	1,550,000	296,711,400	6,433,500	8,307,100	92,786,000	189,184,800
Legislative Auditor General	23,451,900	5,558,600	17,893,300	0	0	1,969,400	15,923,900
Legislature	141,253,600	0	141,253,600	0	400,000	4,275,800	136,577,800
Licensing & Regulatory Affairs	416,567,500	46,923,800	369,643,700	63,818,100	565,700	262,446,700	42,813,200
Military & Veterans Affairs	176,000,200	101,800	175,898,400	91,793,600	2,265,200	24,696,000	57,143,600
Natural Resources	397,904,100	1,375,900	396,528,200	72,365,400	7,446,400	277,156,400	39,560,000
Natural Resources (Trust Fund)	0	0	0	0	0	0	0
School Aid	14,183,112,100	0	14,183,112,100	1,818,632,700	0	12,134,479,400	230,000,000
State	258,015,600	20,000,000	238,015,600	1,460,000	5,000,100	204,445,900	27,109,600
State Police	658,726,100	26,580,400	632,145,700	87,967,800	5,906,600	126,358,500	411,912,800
Talent & Econ. Development	1,142,494,300	0	1,142,494,300	773,944,800	6,119,000	192,341,600	170,088,900
Technology, Mgt., & Budget	1,320,096,200	696,904,100	623,192,100	4,958,200	2,320,000	111,490,800	504,423,100
Transportation	4,125,203,600	4,013,400	4,121,190,200	1,314,744,000	50,518,500	2,745,527,700	10,400,000
Treasury (Debt Service)	137,037,000	0	137,037,000	0	0	0	137,037,000
Treasury (Operations)	518,001,500	11,250,600	506,750,900	39,954,200	9,292,400	359,595,500	97,908,800
Treasury (Revenue Sharing)	1,255,708,900	0	1,255,708,900	0	0	1,255,708,900	0
TOTAL APPROPRIATIONS	\$54,892,727,100	\$867,312,100	\$54,025,415,000	\$22,503,868,200	\$395,301,500	\$21,094,381,300	\$10,031,864,000

Figure A

Appropriations by Source of Funds

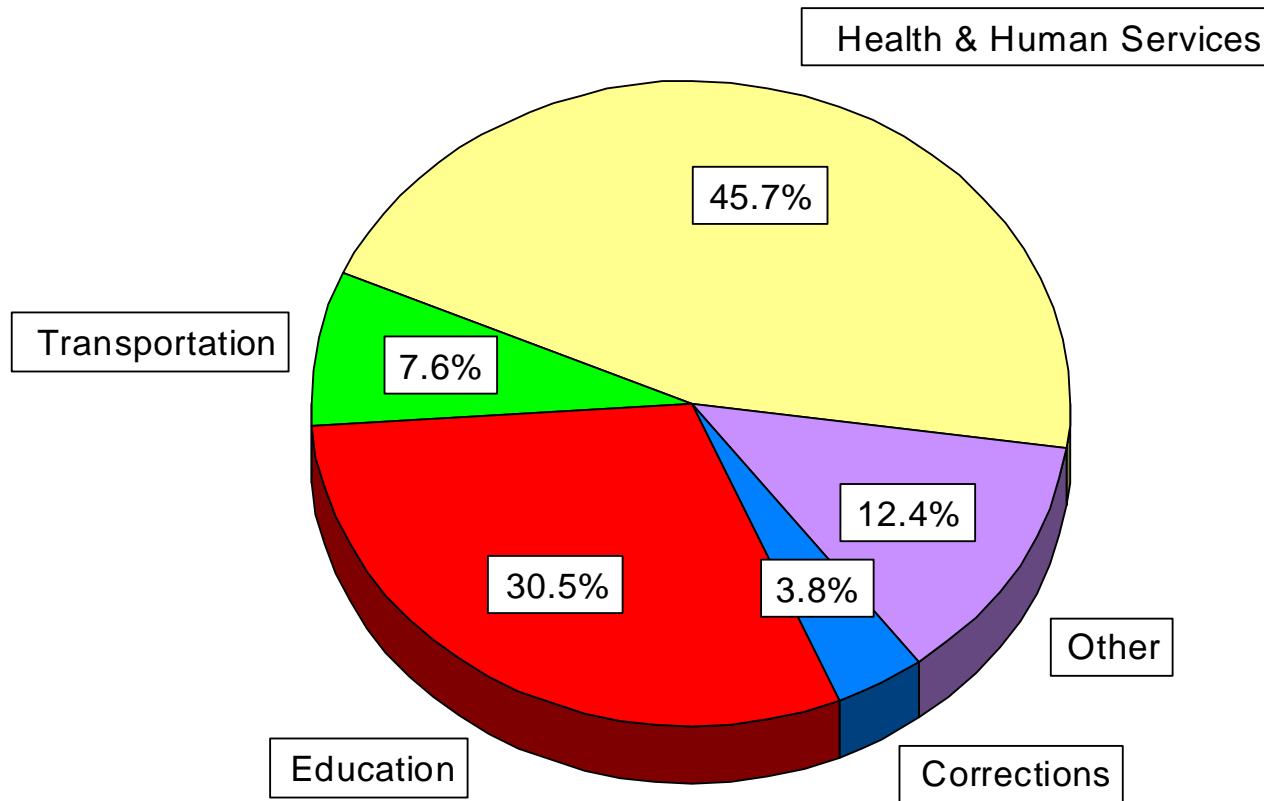
FY 2016-17 Governor's Recommendation Adjusted Gross



Total = \$ 54,025,415,000

Figure B

Adjusted Gross Appropriations FY 2016-17 Governor's Recommendation



Total = \$ 54,025,415,000

Table 2

ADJUSTED GROSS APPROPRIATIONS FY 2015-16 YEAR-TO-DATE VERSUS FY 2016-17 GOVERNOR'S RECOMMENDATION				
Department/Budget Area	FY 2015-16 Year-to-Date Appropriations	FY 2016-17 Governor's Recommendation	Dollar Difference	Percent Change
Agriculture & Rural Development.....	\$86,276,700	\$91,268,100	\$4,991,400	5.8%
Attorney General	63,573,700	66,196,100	2,622,400	4.1
Capital Outlay	400	0	(400)	(100.0)
Civil Rights	15,842,000	16,428,300	586,300	3.7
Community Colleges	387,825,600	399,025,600	11,200,000	2.9
Corrections	1,962,001,000	2,029,386,100	67,385,100	3.4
Education	308,561,200	316,917,400	8,356,200	2.7
Environmental Quality	490,880,500	504,273,700	13,393,200	2.7
Executive	5,531,100	5,636,300	105,200	1.9
Health & Human Services	25,073,392,600	24,694,454,000	(378,938,600)	(1.5)
Higher Education.....	1,534,724,400	1,598,654,400	63,930,000	4.2
Insurance & Financial Services	64,350,100	65,599,600	1,249,500	1.9
Judiciary	282,488,500	296,711,400	14,222,900	5.0
Legislative Auditor General	17,447,700	17,893,300	445,600	2.6
Legislature	136,464,300	141,253,600	4,789,300	3.5
Licensing & Regulatory Affairs	363,780,300	369,643,700	5,863,400	1.6
Military & Veterans Affairs	168,854,400	175,898,400	7,044,000	4.2
Natural Resources	402,648,500	396,528,200	(6,120,300)	(1.5)
Natural Resources (Trust Fund).....	0	0	0	0.0
School Aid	13,900,654,300	14,183,112,100	282,457,800	2.0
State	210,256,700	238,015,600	27,758,900	13.2
State Police	594,713,100	632,145,700	37,432,600	6.3
Talent & Economic Development.....	1,153,023,500	1,142,494,300	(10,529,200)	(0.9)
Technology, Management, & Budget.....	584,745,200	623,192,100	38,446,900	6.6
Transportation	3,892,272,900	4,121,190,200	228,917,300	5.9
Treasury (Debt Service)	156,449,000	137,037,000	(19,412,000)	(12.4)
Treasury (Operations)	526,696,400	506,750,900	(19,945,500)	(3.8)
Treasury (Revenue Sharing)	1,220,654,700	1,255,708,900	35,054,200	2.9
TOTAL APPROPRIATIONS.....	\$53,604,108,800	\$54,025,415,000	\$421,306,200	0.8%

Table 3

STATE SPENDING FROM STATE RESOURCES APPROPRIATIONS FY 2015-16 YEAR-TO-DATE VERSUS FY 2016-17 GOVERNOR'S RECOMMENDATION				
Department/Budget Area	FY 2015-16 Year-to-Date Appropriations	FY 2016-17 Governor's Recommendation	Dollar Difference	Percent Change
Agriculture & Rural Development.....	\$75,720,700	\$80,666,200	\$4,945,500	6.5%
Attorney General	54,295,100	56,719,400	2,424,300	4.5
Capital Outlay.....	400	0	(400)	(100.0)
Civil Rights	13,101,600	13,646,600	545,000	4.2
Community Colleges	387,825,600	399,025,600	11,200,000	2.9
Corrections	1,947,899,100	2,015,169,600	67,270,500	3.5
Education	85,253,300	84,161,900	(1,091,400)	(1.3)
Environmental Quality	352,255,400	365,031,200	12,775,800	3.6
Executive	5,531,100	5,636,300	105,200	1.9
Health & Human Services	6,371,529,800	6,679,598,800	308,069,000	4.8
Higher Education.....	1,437,698,000	1,499,628,000	61,930,000	4.3
Insurance & Financial Services.....	62,350,100	63,599,600	1,249,500	2.0
Judiciary	267,888,000	281,970,800	14,082,800	5.3
Legislative Auditor General	17,447,700	17,893,300	445,600	2.6
Legislature.....	136,064,300	140,853,600	4,789,300	3.5
Licensing & Regulatory Affairs	299,085,100	305,259,900	6,174,800	2.1
Military & Veterans Affairs.....	76,408,800	81,839,600	5,430,800	7.1
Natural Resources	317,362,800	316,716,400	(646,400)	(0.2)
Natural Resources (Trust Fund).....	0	0	0	0.0
School Aid	12,124,885,100	12,364,479,400	239,594,300	2.0
State	208,796,600	231,555,500	22,758,900	10.9
State Police	501,233,800	538,271,300	37,037,500	7.4
Talent & Economic Development.....	378,868,200	362,430,500	(16,437,700)	(4.3)
Technology, Management, & Budget.....	572,970,100	615,913,900	42,943,800	7.5
Transportation	2,584,391,400	2,755,927,700	171,536,300	6.6
Treasury (Debt Service)	156,449,000	137,037,000	(19,412,000)	(12.4)
Treasury (Operations)	477,979,800	457,504,300	(20,475,500)	(4.3)
Treasury (Revenue Sharing).....	1,220,654,700	1,255,708,900	35,054,200	2.9
TOTAL APPROPRIATIONS.....	\$30,133,945,600	\$31,126,245,300	\$992,299,700	3.3%

Table 4

GENERAL FUND/GENERAL PURPOSE APPROPRIATIONS FY 2015-16 YEAR-TO-DATE VERSUS FY 2016-17 GOVERNOR'S RECOMMENDATION				
Department/Budget Area	FY 2015-16 Year-to-Date Appropriations	FY 2016-17 Governor's Recommendation	Dollar Difference	Percent Change
Agriculture & Rural Development.....	\$43,073,600	\$48,036,900	\$4,963,300	11.5%
Attorney General	37,013,400	39,140,500	2,127,100	5.7
Capital Outlay	400	0	(400)	(100.0)
Civil Rights	12,949,700	13,494,700	545,000	4.2
Community Colleges	131,110,800	138,610,800	7,500,000	5.7
Corrections	1,903,948,400	1,979,457,900	75,509,500	4.0
Education	77,583,700	76,381,200	(1,202,500)	(1.5)
Environmental Quality	46,914,200	47,686,400	772,200	1.6
Executive	5,531,100	5,636,300	105,200	1.9
Health & Human Services	4,153,708,200	4,350,767,300	197,059,100	4.7
Higher Education.....	1,232,418,500	1,262,418,500	30,000,000	2.4
Insurance & Financial Services	150,000	150,000	0	0.0
Judiciary	183,642,200	189,184,800	5,542,600	3.0
Legislative Auditor General	15,460,100	15,923,900	463,800	3.0
Legislature	131,872,300	136,577,800	4,705,500	3.6
Licensing & Regulatory Affairs	40,481,500	42,813,200	2,331,700	5.8
Military & Veterans Affairs	53,187,300	57,143,600	3,956,300	7.4
Natural Resources	39,597,800	39,560,000	(37,800)	(0.1)
Natural Resources (Trust Fund).....	0	0	0	0.0
School Aid	45,900,000	230,000,000	184,100,000	401.1
State	22,161,500	27,109,600	4,948,100	22.3
State Police	376,405,600	411,912,800	35,507,200	9.4
Talent & Economic Development.....	198,457,000	170,088,900	(28,368,100)	(14.3)
Technology, Management, & Budget.....	477,198,200	504,423,100	27,224,900	5.7
Transportation	400,000,000	10,400,000	(389,600,000)	(97.4)
Treasury (Debt Service)	156,449,000	137,037,000	(19,412,000)	(12.4)
Treasury (Operations)	123,930,300	97,908,800	(26,021,500)	(21.0)
Treasury (Revenue Sharing).....	0	0	0	0.0
TOTAL APPROPRIATIONS.....	\$9,909,144,800	\$10,031,864,000	\$122,719,200	1.2%

Table 5

FULL-TIME EQUATED CLASSIFIED POSITIONS FY 2015-16 YEAR-TO-DATE VERSUS FY 2016-17 GOVERNOR'S RECOMMENDATION				
Department/Budget Area	FY 2015-16 Year-to-Date Appropriations	FY 2016-17 Governor's Recommendation	Position Change	Percent Change
Agriculture & Rural Development.....	454.0	473.0	19.0	4.2%
Attorney General	518.5	527.0	8.5	1.6
Civil Rights.....	129.0	132.0	3.0	2.3
Corrections	14,174.3	14,049.6	(124.7)	(0.9)
Education.....	588.5	596.5	8.0	1.4
Environmental Quality	1,220.0	1,232.0	12.0	1.0
Executive	74.2	74.2	0.0	0.0
Health & Human Services	15,437.0	15,554.5	117.5	0.8
Higher Education	0.0	0.0	0.0	0.0
Insurance & Financial Services	337.0	337.0	0.0	0.0
Judiciary.....	489.0	510.0	21.0	4.3
Licensing & Regulatory Affairs	2,164.3	2,177.3	13.0	0.6
Military & Veterans Affairs	888.5	888.5	0.0	0.0
Natural Resources.....	2,229.8	2,236.8	7.0	0.3
State.....	1,587.0	1,587.0	0.0	0.0
State Police.....	3,131.0	3,250.0	119.0	3.8
Talent & Economic Development.....	1,613.0	1,609.0	(4.0)	(0.2)
Technology, Management, & Budget.....	2,844.0	2,867.0	23.0	0.8
Transportation.....	2,912.3	2,912.3	0.0	0.0
Treasury (Operations)	1,901.5	1,906.5	5.0	0.3
TOTAL POSITIONS	52,692.9	52,920.2	227.3	0.4%

Table 6

FY 2016-17 GOVERNOR'S RECOMMENDATION ONE-TIME APPROPRIATIONS		
Budget Area/Program	Adjusted Gross Appropriation	GF/GP Appropriation
Attorney General		
Prescription drug abuse enforcement.....	\$700,000	\$700,000
Attorney General Total	\$700,000	\$700,000
Civil Rights		
Operations (2.0 FTEs)	\$250,000	\$250,000
Middle Eastern American Affairs Commission (1.0 FTE)	100,000	100,000
Civil Rights Total.....	\$350,000	\$350,000
Corrections		
New custody training staff.....	\$8,506,100	\$8,506,100
Ballistic vests	981,300	981,300
Corrections Total	\$9,487,400	\$9,487,400
Education		
Flint declaration of emergency (Federal/Flint Reserve Fund \$100)	\$8,050,100	\$0
Certification fees subsidy	500,000	500,000
Education Total	\$8,550,100	\$500,000
Environmental Quality		
Flint declaration of emergency (Flint Reserve Fund \$100; 10.0 FTEs).....	\$5,400,100	\$5,400,000
Oil, gas, and mineral services.....	4,000,000	4,000,000
Water pollution control and drinking water revolving fund.....	2,950,000	2,950,000
Contaminated lake and river sediment cleanup (Clean Michigan revenue)	700,000	0
Environmental Quality Total	\$13,050,100	\$12,350,000
Health and Human Services		
Pharmacy reserve.....	\$86,083,200	\$30,000,000
Integrated service delivery	36,922,500	0
Flint declaration of emergency (Flint Reserve Fund \$100).....	15,138,100	9,094,200
MiSACWIS implementation	11,538,600	0
Family preservation programs (1.0 FTE).....	10,000,000	0
Autism navigator	1,125,000	1,125,000
Health and Human Services Total.....	\$160,807,400	\$40,219,200

FY 2016-17 GOVERNOR'S RECOMMENDATION ONE-TIME APPROPRIATIONS		
Budget Area/Program	Adjusted Gross Appropriation	GF/GP Appropriation
Judiciary		
Compliance with USSC Montgomery v. Louisiana (11.0 FTEs).....	\$1,100,000	\$1,100,000
Expansion of problem solving courts	1,000,000	1,000,000
Medication assisted treatment pilot program	500,000	500,000
Judiciary Total	<u>\$2,600,000</u>	<u>\$2,600,000</u>
Licensing and Regulatory Affairs		
Michigan automated prescription system upgrades	\$2,470,000	\$2,470,000
Liquor control commission information technology upgrades (LPRF)	1,560,000	0
Licensing and Regulatory Affairs Total	<u>\$4,030,000</u>	<u>\$2,470,000</u>
Military and Veterans Affairs		
Grand Rapids veterans home Medicaid certification pilot	\$5,000,000	\$5,000,000
Armory infrastructure upgrades	2,500,000	2,500,000
Military and Veterans Affairs Total	<u>\$7,500,000</u>	<u>\$7,500,000</u>
Natural Resources		
Land ownership tracking system (\$100,000 Federal/\$3.9 million restricted)	\$4,000,000	\$0
Forestry investment (forest development fund)	2,100,000	0
Forest fire equipment (forest development fund).....	1,000,000	0
Invasive species.....	1,000,000	1,000,000
Fisheries resource management (\$300,000 game and fish fund).....	600,000	300,000
Natural Resources Total	<u>\$8,700,000</u>	<u>\$1,300,000</u>
School Aid		
Foundation allowance increase	\$150,000,000	\$150,000,000
Assistance to Flint children and families (Flint Reserve Fund \$100).....	10,142,600	10,142,500
Career and technical education equipment	10,000,000	10,000,000
Consolidation grants	5,000,000	2,857,500
Continue various FY 2015-16 one-time initiatives	2,490,000	0
Dissolution grants	2,200,000	0
STEM advisory council	2,050,000	0
Dual enrollment incentive payments.....	1,750,000	0
Special education task force	1,370,000	0
First robotics	500,000	0
Career and technical education awareness campaign.....	50,000	0
School Aid Total	<u>\$185,552,600</u>	<u>\$173,000,000</u>
State		
Election administration and services (\$5.0 million local)	\$15,000,000	\$10,000,000
State Total	<u>\$15,000,000</u>	<u>\$10,000,000</u>

FY 2016-17 GOVERNOR'S RECOMMENDATION ONE-TIME APPROPRIATIONS		
Budget Area/Program	Adjusted Gross Appropriation	GF/GP Appropriation
State Police		
Disaster and emergency contingency fund	\$6,000,000	\$6,000,000
Trooper school	4,500,000	4,500,000
School safety initiative	4,000,000	4,000,000
Homeland security energy disaster	750,000	750,000
Sexual assault prevention and education initiative	500,000	500,000
State Police Total	\$15,750,000	\$15,750,000
Talent and Economic Development		
Business attraction and community revitalization	\$13,000,000	\$13,000,000
Statewide data system integration (\$4.8 million Federal/\$4.0 million restricted)	8,778,500	0
Financial literacy pilot (TANF)	5,800,000	0
Community ventures challenge match	2,000,000	2,000,000
Talent and Economic Development Total	\$29,578,500	\$15,000,000
Technology, Management, and Budget		
Enterprisewide special maintenance for State facilities	\$10,000,000	\$10,000,000
Capitol area reconfiguration project	7,500,000	7,500,000
IT investment fund augmentation (Treasury/SIGMA)	7,000,000	7,000,000
Legal services	5,000,000	5,000,000
ORS IT modernization and enterprise mandates (pension trust funds)	2,850,000	0
Capital outlay planning authorizations	900	900
Technology, Management, and Budget Total	\$32,350,900	\$29,500,900
Transportation		
State trunkline road and bridge construction	\$10,400,000	\$10,400,000
Transportation Total	\$10,400,000	\$10,400,000
Treasury-Operations		
Free individual tax E-file	\$2,842,500	\$2,842,500
Treasury-Operations Total	\$2,842,500	\$2,842,500
Treasury-Revenue Sharing		
Competitive grant assistance program (sales tax revenue)	\$5,200,000	\$0
Treasury-Revenue Sharing Total	\$5,200,000	\$0
TOTAL ONE-TIME APPROPRIATIONS	\$512,449,500	\$333,970,000

Table 7

**STATE PAYMENTS TO LOCAL UNITS OF GOVERNMENT
FY 2015-16 YEAR-TO-DATE VERSUS FY 2016-17 GOVERNOR'S RECOMMENDATION**

Department/Budget Area	FY 2015-16 Year-to-Date Appropriations	FY 2016-17 Governor's Recommendation	Dollar Difference	Percent Change
Agriculture & Rural Development.....	\$4,750,000	\$4,750,000	\$0	0.0%
Attorney General	0	0	0	0.0
Capital Outlay.....	200	0	(200)	(100.0)
Civil Rights	0	0	0	0.0
Community Colleges	387,825,600	399,025,600	11,200,000	2.9
Corrections	114,323,600	110,420,700	(3,902,900)	(3.4)
Education	17,861,000	15,176,000	(2,685,000)	(15.0)
Environmental Quality	14,685,000	3,750,000	(10,935,000)	(74.5)
Executive.....	0	0	0	0.0
Health & Human Services	1,224,137,400	1,259,438,500	35,301,100	2.9
Higher Education.....	0	0	0	0.0
Insurance & Financial Services.....	0	0	0	0.0
Judiciary	137,073,400	138,718,300	1,644,900	1.2
Legislative Auditor General	0	0	0	0.0
Legislature.....	0	0	0	0.0
Licensing & Regulatory Affairs	28,225,700	28,225,700	0	0.0
Military & Veterans Affairs	102,400	102,400	0	0.0
Natural Resources	5,548,300	6,100,000	551,700	9.9
Natural Resources (Trust Fund).....	0	0	0	0.0
School Aid	11,967,255,600	12,212,368,600	245,113,000	2.0
State	1,272,100	1,211,300	(60,800)	(4.8)
State Police	15,464,100	19,198,900	3,734,800	24.2
Talent & Economic Development.....	11,224,800	11,224,800	0	0.0
Technology, Management, & Budget.....	0	0	0	0.0
Transportation	1,438,206,000	1,583,461,200	145,255,200	10.1
Treasury (Debt Service)	0	0	0	0.0
Treasury (Operations)	209,657,300	186,270,700	(23,386,600)	(11.2)
Treasury (Revenue Sharing).....	1,220,654,700	1,255,708,900	35,054,200	2.9
TOTAL APPROPRIATIONS.....	\$16,798,267,200	\$17,235,151,600	\$436,884,400	2.6%

Table 8

FEBRUARY 2016 GOVERNOR'S RECOMMENDATION GENERAL FUND/GENERAL PURPOSE (GF/GP) REVENUE, EXPENDITURES, AND YEAR-END BALANCE (Millions of Dollars)			
	FY 2015-16	FY 2016-17	FY 2017-18
Revenue:			
Beginning Balance	\$694.7	\$152.9	\$14.9
Ongoing Revenue:			
Consensus Revenue Estimate (January 2016)	\$9,843.8	\$10,213.9	\$10,599.3
Revenue Sharing Payments	(462.7)	(469.0)	(469.0)
Shift of Borrowing Costs to School Aid Fund	2.0	3.0	4.0
Medicaid Managed Care Use Tax.....	406.7	101.7	0.0
Insurance Tax Credit Amendments.....	60.0	80.0	80.0
Subtotal Ongoing Revenue.....	\$9,849.8	\$9,929.6	\$10,214.3
Non-ongoing Revenue:			
One-Time Appropriation for Revenue Sharing	(5.8)	(5.2)	0.0
Venture Michigan Fund Tax Vouchers.....	0.0	(30.5)	0.0
Total Estimated GF/GP Revenue	\$10,538.7	\$10,046.8	\$10,229.2
Expenditures:			
Ongoing Appropriations:			
Initial Ongoing Appropriations	\$9,375.8	\$9,697.9	\$9,689.9
Initial Ongoing Appropriation for Transportation	142.0	0.0	0.0
Subtotal Ongoing Appropriations	\$9,517.8	\$9,697.9	\$9,689.9
One-Time and Other Appropriations:			
Initial One-Time Appropriations.....	\$98.3	\$323.6	\$0.0
Initial One-Time Appropriation for Transportation	258.0	10.4	0.0
Appropriation to Budget Stabilization Fund.....	95.0	0.0	0.0
Enacted Supplementals	35.0	0.0	0.0
Supplemental Request 2016-4 (Michigan Infrastructure Fund)	165.0	0.0	0.0
Supplemental Request 2016-4 (Detroit Public Schools Financial Assistance).....	50.0	0.0	0.0
Supplemental Request 2016-4 (multiple departments).....	35.7	0.0	0.0
Supplemental Request 2016-6 (Flint Emergency-multiple departments)	71.8	0.0	0.0
Supplemental Request 2016-6 (Flint Emergency Reserve Fund)	50.0	0.0	0.0
Supplemental Request 2016-7 (Flint Emergency-Early On Services)	9.2	0.0	0.0
Estimated Average Baseline Adjustments	0.0	0.0	215.0
Estimated Lapses.....	0.0	0.0	0.0
Subtotal One-Time and Other Appropriations	\$868.0	\$334.0	\$215.0
Total Estimated GF/GP Expenditures	\$10,385.8	\$10,031.9	\$9,904.9
PROJECTED YEAR-END GF/GP BALANCE	\$152.9	\$14.9	\$324.3

Table 9

FEBRUARY 2016 GOVERNOR'S RECOMMENDATION SCHOOL AID FUND REVENUE, EXPENDITURES, AND YEAR-END BALANCE (Millions of Dollars)			
	FY 2015-16	FY 2016-17	FY 2017-18
Revenue:			
Beginning Balance	\$190.2	\$47.9	\$15.4
<u>Ongoing Revenue:</u>			
Consensus Revenue Estimate (January 2016)	\$12,131.6	\$12,486.2	\$12,831.1
General Fund/General Purpose Grant.....	45.9	230.0	57.4
General Fund Supplemental Request 2016-7 (Flint Early On)	9.2	0.0	0.0
Detroit Public Schools Trust Fund	0.0	72.0	72.0
Medicaid Managed Care Use Tax	203.3	50.9	0.0
Federal Ongoing Aid	<u>1,775.8</u>	<u>1,818.6</u>	<u>1,818.6</u>
Subtotal Ongoing Revenue	\$14,165.8	\$14,657.7	\$14,779.1
<u>Non-ongoing Revenue:</u>			
Venture Michigan Fund Tax Vouchers	0.0	(9.5)	0.0
Total Estimated School Aid Fund Revenue	\$14,356.0	\$14,696.1	\$14,794.5
Expenditures:			
<u>Ongoing Appropriations:</u>			
Initial Ongoing K-12 Appropriations	\$13,846.5	\$14,147.6	\$14,093.3
Supplemental Request 2016-5 (Cost Adjustments)	(73.6)	0.0	0.0
Enacted Supplementals	4.3	0.0	0.0
Partially Fund Community Colleges with School Aid Fund	256.7	260.4	260.9
Partially Fund Higher Education with School Aid Fund	<u>205.2</u>	<u>237.1</u>	<u>237.3</u>
Subtotal Ongoing Appropriations	\$14,239.1	\$14,645.1	\$14,591.5
<u>One-Time and Other Appropriations:</u>			
Initial One-Time K-12 Appropriations.....	\$49.8	\$35.6	\$1.5
Supplemental Request 2016-5 (Water Testing/Reform Office).....	10.0	0.0	0.0
Supplemental Request 2016-7 (Flint Early On Services)	<u>9.2</u>	<u>0.0</u>	<u>0.0</u>
Subtotal One-Time and Other Appropriations	\$69.0	\$35.6	\$1.5
Total Estimated School Aid Fund Expenditures	\$14,308.1	\$14,680.7	\$14,593.0
PROJECTED YEAR-END SCHOOL AID FUND BALANCE	\$47.9	\$15.4	\$201.5

FY 2015-16 Supplementals

Table 10

FY 2015-16 GOVERNOR'S SUPPLEMENTAL RECOMMENDATIONS		
REQ. #2016-4: NON-FLINT AGENCY REQUESTS		
Department/Budget Area	Gross Appropriations	GF/GP Appropriations
Agriculture-Intercounty drain topographical data	\$1,925,000	\$0
Capital Outlay-DNR Milliken State Park	800,000	0
Capital Outlay-DNR East Tawas harbor	100,000	0
Corrections-Unrealized health contract savings	13,400,000	13,400,000
DHHS-Medicare Part B rate increase	36,232,200	12,463,900
DHHS-Medicare Part D clawback.....	18,354,200	18,354,200
DHHS-Autism caseload	13,759,100	4,733,100
DHHS-Child Care Fund adjustment.....	6,294,200	6,294,200
DHHS-Federal justice assistance grant.....	5,000,000	0
DHHS-Federal behavioral health grant.....	980,000	0
DHHS-Sexual assault commission	25,000	25,000
DHHS-Human services caseload	(92,759,300)	(7,728,400)
DHHS-SCHIP fund shift	0	(14,329,100)
DIFS-Autism Coverage Fund.....	2,225,000	2,225,000
Judiciary-E-file fee revenue	5,000,000	0
Judiciary-Montgomery v. Louisiana	300,000	300,000
Judiciary-replace MCOLES funding.....	0	167,000
LARA-Distance education learning.....	300,000	0
Legislature-IT and Capitol maintenance	5,000,000	5,000,000
Legislature-Criminal justice commission.....	500,000	500,000
Legislature-Redistricting data program.....	450,000	450,000
DMVA-Tuition assistance program	3,741,600	0
DMVA-Seed tuition assistance fund	2,000,000	2,000,000
DMVA-Medicaid consultant contract.....	1,200,000	1,200,000
DMVA-Jacobetti veterans home	200,000	200,000
DMVA-Grand Rapids veterans home	0	2,300,000
DNR-Dam funding.....	3,000,000	3,000,000
DNR-Off-road vehicle trail projects	4,000,000	0
State-Implement transportation laws	3,800,000	3,800,000
State Police-Trooper school, 12 recruits.....	428,800	428,800
DTMB-Enterprise legal services	5,000,000	5,000,000
DTMB-ORS SIGMA implementation.....	2,800,000	0
DTMB-Good government training academy	325,000	325,000
DTMB-Low-income trooper pensions	145,000	145,000
DTMB-State Building Authority rent lapse	(26,500,000)	(26,500,000)
Treasury-Infrastructure Fund	165,000,000	165,000,000
Treasury-Detroit Public Schools transition funding.....	50,000,000	50,000,000
Treasury-Assistance to local governments.....	2,000,000	2,000,000
TOTAL APPROPRIATIONS.....	\$235,025,800	\$250,753,700

REQ. #2016-5: HIGHER EDUCATION AND SCHOOL AID COST ADJUSTMENTS		
Department/Budget Area	Gross Appropriations	GF/GP Appropriations
Higher Education-TIP costs	\$2,000,000	\$0
School Aid-School water testing	9,000,000	0
School Aid-School reform/redesign	1,000,000	0
School Aid-Technical cost adjustments	(73,645,800)	0
TOTAL APPROPRIATIONS	(\$61,645,800)	\$0

REQ. #2016-6: FLINT WATER EMERGENCY		
Department/Budget Area	Gross Appropriations	GF/GP Appropriations
Education-Nutrition programs	\$9,500,000	\$6,000,000
Education-Child care services	8,000,000	0
Education-Federal child care reserve	8,000,000	0
Education-Lead communications to child care providers	100,000	0
DEQ-Water bill payments	30,000,000	30,000,000
DEQ-Utility infrastructure and filters	25,000,000	25,000,000
DEQ-Retain Detroit water connection	3,900,000	3,900,000
DEQ-Water response team	2,250,000	2,250,000
DEQ-Water system needs	2,200,000	2,200,000
DHHS-TANF reserve for Flint	6,100,000	0
DHHS-Intensive behavioral therapy	1,500,000	1,500,000
DHHS-Food bank resources	430,000	430,000
DHHS-Home visits	260,000	260,000
DNR-Summer youth program	250,000	250,000
DTMB-Flint emergency reserve fund	50,000,000	50,000,000
TOTAL APPROPRIATIONS	\$147,490,000	\$121,790,000

REQ. #2016-7: SCHOOL AID - FLINT EARLY ON SERVICES		
Department/Budget Area	Gross Appropriations	GF/GP Appropriations
School Aid-Early On services	\$9,200,000	\$9,200,000
TOTAL APPROPRIATIONS	\$9,200,000	\$9,200,000

	Gross Appropriations	GF/GP Appropriations
Total Flint Water Emergency Requests	\$156,690,000	\$130,990,000
Total Other Requests	173,380,000	250,753,700
TOTAL FY 2015-16 SUPPLEMENTAL REQUESTS	\$330,070,000	\$381,743,700

FY 2016-17 GF/GP Budget Changes

Table 11

FY 2016-17 GOVERNOR'S APPROPRIATION RECOMMENDATION MAJOR CHANGES FROM FY 2015-16 YEAR-TO-DATE GENERAL FUND/GENERAL PURPOSE APPROPRIATIONS (Millions of Dollars)	
<u>Budget Area/Program</u>	
FY 2015-16 Year-to-Date Appropriations	\$9,909,144,800
FY 2016-17 Governor's Recommendation	<u>10,031,864,000</u>
Net Change in GF/GP Appropriations.....	\$122,719,200
Total New Programs	\$28,362,500
Total Funding Increases.....	754,600,700
Total Funding Reductions	(465,980,000)
Total Funding Shifts	(263,300,400)
Unclassified Salaries Increase	257,700
Total OPEB Funding Change	14,026,800
Total Non-OPEB Economic Adjustments	<u>54,751,900</u>
TOTAL GF/GP FUNDING CHANGE.....	\$122,719,200

Table 12

FY 2016-17 GOVERNOR'S APPROPRIATION RECOMMENDATION NEW GF/GP PROGRAMS	
<u>Budget Area/Program</u>	
Attorney General	
Prescription drug abuse unit (one-time)	\$700,000
Civil Rights	
Commission on Middle Eastern Americans (one-time)	100,000
Corrections	
Living in recovery treatment program	750,000
Education	
Multi-tiered systems of supports implementation.....	500,000
Special education task force	300,000
Judiciary	
Medication assisted treatment pilot (drug courts)	500,000
School Aid	
Flint declaration of emergency (one-time)	10,142,500
Career and technical education equipment upgrades (one-time)	10,000,000
Integrated behavior and learning support (one-time).....	1,370,000
State Police	
School safety initiative (one-time)	<u>4,000,000</u>
TOTAL NEW GF/GP PROGRAMS	\$28,362,500

Table 13

FY 2015-16 GOVERNOR'S APPROPRIATION RECOMMENDATION GF/GP FUNDING INCREASES	
Budget Area/Program	
Agriculture and Rural Development	
Laboratory upgrades	\$2,510,000
Food safety Federal requirements.....	1,169,000
Farmland preservation program	500,000
IT maintenance and technical adjustments	257,000
Attorney General	
Home protection unit	600,000
DTMB fees for mailing, warehousing, and vehicle services	82,100
Civil Rights	
Police and community trust (one-time)	250,000
DTMB fees for mailing, warehousing, and vehicle services	20,100
Community Colleges	
College operations	7,500,000
Corrections	
Hepatitis C pharmaceuticals	17,335,000
Clinical and mental health services and support	11,200,000
Corrections officer academy (one-time)	8,506,100
Reentry service contracts rebids	6,790,000
Mental health programming	1,954,500
DTMB information technology (IT) agency services	1,612,800
Trinity food service contract	1,535,000
IT bandwidth increase	1,021,800
Ballistic vests (one-time)	981,300
IT device access fees	408,000
Utility fees	287,800
Education	
Certification fees support (one-time)	500,000
Early/middle college support	395,000
School safety consultant	180,000
Home visit program management and coordinator	175,000
E-Rate technical assistance for districts	162,500
Education commission of the states membership dues	90,800
Environmental Quality	
Flint declaration of emergency (one-time)	5,400,000
Partial funding restoration for office of oil, gas, and minerals (one-time)	4,000,000
Drinking water revolving loan fund state match (one-time)	2,950,000
Executive Office	
Funding increase	105,200
Health and Human Services	
Hepatitis C and cystic fibrosis medication coverage	135,178,800
Medicaid base and caseload adjustments	86,929,900
Actuarial soundness adjustment for Medicaid managed care	32,127,000
Pharmacy reserve fund for Medicaid costs of new drugs (one-time)	30,000,000
Flint lead abatement, investigation, case management (one-time)	9,094,200
Expand Healthy Kids Dental to all Medicaid children	8,921,900
SACWIS implementation	7,746,900
Add 30 new beds to center for forensic psychiatry	7,607,000
Child care fund caseload	6,294,200
Guardianship assistance caseload	3,508,000
Information technology maintenance	2,542,300

FY 2015-16 GOVERNOR'S APPROPRIATION RECOMMENDATION GF/GP FUNDING INCREASES	
Health and Human Services (continued)	
Delay in implementation of Ambulance QAAP	1,515,000
Multicultural funding increase	1,445,500
Integrated service delivery	1,230,800
Autism navigator services (one-time)	1,125,000
Child support enforcement operations	410,400
Supplemental Security Income caseload	163,300
Disability determination services medical costs	138,800
Sexual assault evidence kit tracking act implementation	25,000
Higher Education	
University operations	28,587,400
MSU AgBioResearch and Extension	1,412,600
Judiciary	
Michigan indigent defense commission	1,300,000
State appellate defender office (one-time)	1,100,000
Veterans' courts (one-time)	500,000
Drug treatment courts (one-time)	500,000
Michigan legal self-help website	300,000
Court of claims	200,000
Legislative Auditor General	
Funding increase	463,800
Legislature	
Funding increase	4,705,500
Licensing and Regulatory Affairs	
Michigan automated prescription system upgrade (\$2,470,000 one-time)	4,490,000
Correct bureau of adult and child licensing GF authorization	8,400
Military and Veterans Affairs	
Renovate 4th floor of Grand Rapids home to Medicaid standards (one-time)	5,000,000
Upgrade network/infrastructure for armories (one-time)	2,500,000
Renovate D. J. Jacobetti home to Medicaid standards	1,120,000
Natural Resources	
Asian carp barrier development (one-time)	1,000,000
Commercial and tribal fisher reporting (one-time)	300,000
Capital outlay - recreational lands and infrastructure	250,000
School Aid	
Foundation allowance increase	150,000,000
STEM-related activities	1,750,000
State	
Voting machine replacement (one-time)	10,000,000
DTMB fees for mailing, warehousing, and vehicle services	13,400
State Police	
New trooper school (\$4.5 million one-time)	9,500,000
Second year costs of FY 2015-16 trooper school	8,750,300
Disaster and emergency contingency fund	6,000,000
Cyber crimes enforcement	2,203,200
Expand secure cities program	1,463,500
Statewide drug enforcement strategy	1,256,300
Homeland security energy disaster preparedness (one-time)	750,000
Talent and Economic Development	
Business attraction and community revitalization	16,800,000
Community ventures challenge match (one-time)	2,000,000

FY 2015-16 GOVERNOR'S APPROPRIATION RECOMMENDATION GF/GP FUNDING INCREASES	
Technology, Management, and Budget	
Enterprise special maintenance for state facilities (one-time)	10,000,000
Relocation for state employees in Lansing (one-time)	7,500,000
Legacy system replacement and SIGMA MILogin funding (one-time)	7,000,000
Enterprise identity management - single sign-on	6,700,000
Cyber security improvements	5,000,000
Legal services (one-time)	5,000,000
Office of good government	1,500,000
State Police retirement payment adjustment	132,000
Capital outlay planning authorizations (one-time)	900
Treasury - Debt Service	
Clean Michigan Initiative debt service increase	25,516,000
Great lakes water quality bonds debt service increase	2,344,000
Treasury - Operations	
Free individual e-file (one-time)	2,842,500
Payment in lieu of taxes increase	1,056,800
Testing and analytics unit	750,000
DTMB standard rate plan billing	551,100
TOTAL GF/GP FUNDING INCREASES	\$754,600,700

Table 14

FY 2016-17 GOVERNOR'S APPROPRIATION RECOMMENDATION GF/GP FUNDING ELIMINATIONS/REDUCTIONS	
<u>Budget Area/Program</u>	
Agriculture	
Eliminate rural development value-added grants (one-time)	(\$550,000)
Eliminate tree fruit research grants (one-time)	(500,000)
Eliminate commercial forestry audit program	(300,000)
Eliminate grant program for county fairs	(300,000)
Eliminate Geagley lab enhancement grants (one-time)	(150,000)
Reduce ongoing rural development value-added grants	(150,000)
Administrative reduction	(99,100)
Eliminate grant program for agriculture shows	(20,000)
Capital Outlay	
Remove funding for FY 2015-16 projects	(400)
Corrections	
Align prison population funding with capacity	(6,600,000)
Savings from Kinross reductions	(3,400,000)
Eliminate Goodwill flip the script funding	(2,000,000)
Eliminate parole sanction certainty pilot	(500,000)
Education	
Remove FY 2015-16 Flint supplemental funding (one-time)	(2,685,000)
Reduce educator evaluations	(1,000,000)
Reduce financial independence team funding	(250,000)
Environmental Quality	
Remove FY 2015-16 Flint supplemental funding (one-time)	(12,086,500)
Health and Human Services	
Actuarial soundness adjustments (managed care use tax expires 12/31/16) ..	(140,444,800)
Suspension of Federal health insurer fee, impact on Medicaid HMO funding ..	(36,710,400)
Healthy Michigan Plan caseload	(14,475,100)
Remove FY 2015-16 Flint supplemental funding (one-time)	(10,910,100)
Medicaid special financing adjustments	(10,182,700)

FY 2016-17 GOVERNOR'S APPROPRIATION RECOMMENDATION GF/GP FUNDING ELIMINATIONS/REDUCTIONS	
Health and Human Services (continued)	
Foster care and adoption subsidies base/caseload	(7,977,400)
Change county hold harmless funding to 50/50 State/county	(5,200,000)
Eliminate hospice funding (one-time)	(2,500,000)
State disability assistance caseload	(1,664,400)
Eliminate drug policy initiatives (one-time)	(1,500,000)
Eliminate one-time mental health commission funding	(1,500,000)
Eliminate pay for success funding (one-time)	(1,500,000)
Reduce dual eligibility staff	(1,269,800)
Family independence program caseload	(1,112,800)
Eliminate in-home community care grants	(400,000)
Eliminate employment and training support services funding (one-time)	(400,000)
Eliminate adoption family support network funding	(350,000)
Minor technical adjustments	(206,900)
Departmental administration reduction	(100,000)
Judiciary	
Judgeship savings by attrition	(259,700)
Eliminate court of claims funding (one-time)	(200,000)
Licensing and Regulatory Affairs	
Remove FY 2015-16 Flint supplemental funding (one-time)	(2,000,000)
Military and Veterans Affairs	
Eliminate armory special maintenance (one-time)	(3,000,000)
Adjust National Guard tuition program to expected level	(2,641,600)
Remove FY 2015-16 Flint supplemental funding (one-time)	(2,000,000)
Natural Resources	
Eliminate special grant programs (one-time)	(825,000)
Eliminate shooting range enhancement projects (one-time)	(250,000)
School Aid	
Eliminate teacher certification test updates funding (one-time)	(1,800,000)
Eliminate Michigan reading corps funding	(1,000,000)
Reduce college and career readiness outreach (one-time)	(550,000)
Eliminate early literacy teacher test (one-time)	(500,000)
Eliminate civics education funding	(60,000)
State	
Remove FY 2015-16 voter machine funding	(5,000,000)
State Police	
Remove FY 2015-16 trooper school funding (one-time)	(3,200,000)
Eliminate Michigan international speedway traffic control funding	(831,900)
Reduce forensic science funding	(530,400)
Remove FY 2015-16 Flint supplemental funding (one-time)	(100,000)
Remove funding for one vacant capitol security position	(89,300)
Talent and Economic Development	
Eliminate film incentives funding (one-time)	(25,000,000)
Eliminate business attraction funding (one-time)	(17,300,000)
Eliminate special grants (one-time)	(5,150,000)
Technology, Management, and Budget	
Savings from refinancing/cancellation of State Building Authority rent	(8,000,000)
Reduce enterprise special maintenance ongoing funding	(3,500,000)
Eliminate treasury technology services funding (one-time)	(3,000,000)
Reduce legal services funding (one-time)	(1,000,000)
Reduce office of urban initiatives	(1,000,000)
Eliminate funding for cost study of 2014 PA 555 (one-time)	(500,000)
Eliminate special projects funding (one-time)	(105,000)

FY 2016-17 GOVERNOR'S APPROPRIATION RECOMMENDATION GF/GP FUNDING ELIMINATIONS/REDUCTIONS	
Transportation	
Eliminate one-time GF transit capital and rail infrastructure funding	(25,000,000)
Treasury - Debt Service	
Quality of life bonds debt service decrease	(47,272,000)
Treasury - Operations	
Eliminate personal property tax reform funding (one-time)	(19,300,000)
Eliminate presidential primary funding (one-time)	(10,000,000)
Eliminate online business portal funding (one-time)	(600,000)
Eliminate search and rescue task force	(300,000)
Eliminate Chaldean community foundation grant	(250,000)
Statewide	
Savings from elimination of five-year sick leave payout	(4,869,700)
TOTAL GF/GP FUNDING ELIMINATIONS/REDUCTIONS	(\$465,980,000)

Table 15

FY 2016-17 GOVERNOR'S APPROPRIATION RECOMMENDATION FUND SHIFTS TO INCREASE/(REDUCE) GF/GP	
Budget Area/Program	
Agriculture	
Replace refined petroleum fund revenue with GF	\$1,500,000
Replace equine industry development fund revenue with GF	600,000
Replace qualified forest program GF with restricted	(130,000)
Corrections	
Shift of GF to replace reduced prison phone revenue	1,874,000
Health and Human Services	
State match for Healthy Michigan Plan (starting 1/1/17)	127,824,900
Medicaid match rate change from 65.60% to 65.15%	49,212,000
Merit Award Trust Fund reduction (increases GF costs)	23,661,900
School-based services revenue	1,443,700
Inspector general Medicaid administrative match	600,000
Increase in HICA revenue from 1/1/17 rate reversion (offsets GF)	(58,187,300)
Enhanced match for federal Title XXI (MICHild)	(30,000,000)
Medicaid benefits trust fund revenue	(17,500,000)
Increase in hospital QAAP retainer (offsets GF)	(12,143,900)
Judiciary	
Replace State Police IDG with GF	167,000
Licensing and Regulatory Affairs	
Replace administrative hearing GF with corporation fees	(370,000)
Replace bureau of community & health services GF with health systems fees	(347,400)
Military and Veterans Affairs	
Replace declining restricted revenue from veterans' homes with GF	2,300,000
Natural Resources	
Replace GF for wildfire protection with forest development fund revenue	(1,200,000)
School Aid	
Foundation allowance SAF shift to GF	11,683,800
Consolidation incentives SAF shift to GF	2,857,500
State	
Replace GF with transportation administration collection fund revenue	(500,000)
Technology, Management, and Budget	
Recognize additional restricted revenue via statewide cost allocation	(296,600)
Transportation	
Replace State trunkline ongoing/one-time GF with restricted revenue	(204,447,250)
Replace local road/bridge ongoing/one-time GF with restricted revenue	(158,631,650)
Replace airport safety and improvement GF with restricted revenue	(1,521,100)
Treasury - Operations	
Replace office of collections GF with collections and warrant fees	(1,124,000)
Replace office of financial services GF with state agency collections fees	(520,400)
Replace office of accounting services GF with garnishment fees	(105,600)
TOTAL FUND SHIFTS TO INCREASE/(REDUCE) GF/GP	(\$263,300,400)

FY 2016-17
School Aid
Budget Changes

School Aid Recommendations

Overall, the Governor is recommending a Gross appropriation increase of \$282.4 million compared with current law, or a \$336.9 million increase compared with projected revised FY 2015-16 spending. The recommendation would increase GF/GP support of the budget from \$45.9 million in current law to \$230.0 million for FY 2016-17.

Proposed Supplementals

Supplemental Request 2016-5 would decrease appropriations by \$63.6 million (\$0 GF/GP), consisting of three parts. First, the supplemental would implement \$73.6 million in estimated cost savings from consensus estimates for the number of pupils, taxable values, special education costs, and other technical cost adjustments. Second, the supplemental would add \$9.0 million for reimbursements to assist school districts that voluntarily test for lead in school facilities' water. Third, the supplemental would appropriate \$1.0 million for the appointment of four chief executive officers (CEOs) by the School Reform Office (SRO) to assist schools in the lowest 5% of academic achievement that have been placed under the oversight of the SRO.

Supplemental Request 2016-7 would increase appropriations by \$9.2 million (all GF/GP) for the Flint water emergency. This supplemental would provide funding to Genesee ISD for the assessment of children and for providing Early On services to children in Flint's boundaries who are not already being served by Great Start Readiness Programs.

Foundation Allowance

The Governor is recommending an increase ranging from \$60 per pupil for districts with foundation allowances at or above the basic foundation allowance (which is \$8,169 for FY 2015-16), up to \$120 per pupil for districts at the minimum foundation allowance (which is \$7,391 for FY 2015-16). The proposal uses the "2x" formula, which provides double the dollar increase to districts at the minimum compared with the dollar increase for districts at or above the basic, with districts between the minimum and the basic getting something between "1x" and "2x". Under the proposal, the basic would increase to \$8,229 and the minimum to \$7,511, and the total cost of the proposal is \$150.0 million.

Because of a cap in the Revised School Code, the *statutory* foundation allowance of a district above the basic could not increase the full \$60; instead, statutorily it would increase by the rate of inflation applied to the district's own foundation allowance. However, a separate categorical calculation would be made (under Section 20j) to provide the difference between \$60 and the amount resulting from the inflationary cap, such that these districts would receive the full \$60 increase, even though only a small portion would be statutorily built into the base.

Detroit Public Schools

The Governor is recommending an appropriation from a proposed Detroit Public Schools (DPS) Trust Fund in an amount equal to \$72.0 million. This is the dollar amount estimated as the increased State expenditure to support the Governor's proposed plan to split DPS into two districts: one ("OldCo") to retain the debt and divert property tax revenue that currently helps support the cost of the foundation allowance to instead pay down debt, and two ("NewCo") to operate and educate students, with the new district's foundation allowance costs entirely paid for by the State (similar to how a charter school is funded, since the charter school does not have any property tax revenue to help support the cost of the foundation allowance). Under the Governor's plan, \$72.0 million in tobacco settlement revenue per year would be transferred for 10 years into a newly created DPS Trust Fund, and these funds would be used to support NewCo's foundation allowance costs in the School Aid budget.

Flint Declaration of Emergency

In addition to the supplemental noted above, the Governor is proposing \$10.1 million to continue Early On and to provide funds for the Great Start Readiness Program, school nurses, school social workers, and other staff and materials for Flint Schools and Genesee ISD in response to the Flint declaration of emergency. The \$10.1 million would be funded from GF/GP revenue and is the amount estimated for one-half of the year, with the remaining year's cost placed in reserve under the Department of Technology, Management, and Budget's supplemental appropriations bill.

The Governor's budget also would continue funding for voluntary school water testing, recommended at \$9.0 million for FY 2016-17. This is estimated to cover testing at one-third of the schools around the State, with another one-third covered by the FY 2015-16 supplemental noted above and the final one-third intended to be covered in FY 2017-18.

Other New Programs

The Governor's budget includes \$10.0 million for equipment upgrades in career and technical education programs, \$10.0 million for educator evaluations, \$5.0 million to provide additional monetary resources to districts with academically underperforming schools under the oversight of the SRO and to continue funding for CEOs of those schools, and \$1.4 million to support Michigan's Integrated Behavior and Learning Support Initiative (MiBLISi), which is an integrated model of behavior and reading support, and was a recommendation from the Special Education Task Force.

Increases in Existing Programs

The largest increase in an existing program (\$89.3 million) is to fund the statutory rate cap in the Michigan Public School Employees' Retirement System (MPERS). The State subsidy under this rate cap is now estimated at 11.7% of MPERS payroll. In addition, State special education funding would be increased \$54.5 million above year-to-date figures, and Federal grants would be increased by \$42.9 million. The career and technical education middle college program, new for FY 2015-16, would be increased from \$10.0 million to \$15.0 million. The pupil membership blend is recommended to place a higher weighting on the previous year, going from the current 90/10 blend (where 90% weighting is placed on the current school year's September count and 10% is placed on the prior school year's February count) to a 50/50 blend, which is estimated to cost \$1.0 million. Intermediate school district operations are recommended to receive a 1.6% increase, commensurate with the foundation allowance increase, which would cost \$1.1 million.

Decreases or Eliminations of Existing Programs

The largest program recommended for elimination is the Technology Readiness Infrastructure Grants (TRIG), which is funded at \$23.5 million in FY 2015-16, and is scheduled for elimination in FY 2016-17. Other recommended eliminations include \$4.0 million for computer adaptive testing and \$1.0 million for Michigan Education Corps, and removal of one-time programs including \$1.0 million for a pilot Parents University, updates of teacher tests, and gang prevention and intervention funding.

The single largest program reduction is simply a matter of technical foundation allowance cost adjustments due to updated estimates of pupils and taxable values, totaling savings of \$126.7 million. Other reductions include \$10.1 million for State assessments (removing funding necessary during the transition to online testing and eliminating a kindergarten entry assessment), \$6.3 million for lower Renaissance Zone cost estimates, \$3.1 million for reduced school breakfast costs, and \$1.5 million for strict discipline academies and dropout recovery.

Table 16

FY 2016-17 GOVERNOR'S GROSS APPROPRIATION RECOMMENDATION K-12 SCHOOL AID APPROPRIATION CHANGES (Millions of Dollars)	
FY 2015-16 Year-to-Date Gross Appropriations.....	\$13,900.7
FY 2016-17 Governor's Recommended Gross Appropriations	14,183.1
Net Change in School Aid Appropriations	\$282.4
Recommended Appropriations for New Programs:	
Flint declaration of emergency	\$10.1
Career and technical education equipment upgrades	10.0
Educator evaluations	10.0
Statewide school water testing program.....	9.0
State school reform/redesign.....	5.0
Integrated behavior and learning support (MiBLSi)	1.4
Subtotal Appropriations for New Programs	\$45.5
Recommended Appropriation Increases in Existing Programs:	
Foundation allowance: \$60 to \$120 per-pupil increase	\$150.0
MPERS rate cap.....	89.3
Detroit public schools' foundation allowance support ("NewCo" plan)	72.0
State special education funding.....	54.5
Federal grants.....	42.9
Career and technical education middle college program	5.0
STEM-related activities.....	1.2
ISD operations	1.1
Pupil membership blend change (to 50/50).....	1.0
School Aid Fund borrowing costs	1.0
FIRST robotics	0.5
Promise zone payments	0.4
Economics	0.3
PILT reimbursement	0.1
Subtotal Appropriation Increases in Existing Programs.....	\$419.3
Recommended Appropriation Eliminations or Reductions:	
Technical foundation allowance cost adjustments (pupils, taxable values)	(\$126.7)
Elimination of technology readiness infrastructure grants (TRIG).....	(23.5)
Reduction in State assessments (conversion to online completed)	(10.1)
Reduction in estimated renaissance zone reimbursement costs	(6.3)
Elimination of computer adaptive test funding.....	(4.0)
Reduction in costs for reimbursing school breakfasts	(3.1)
Elimination of one-time teacher certification test updates funding	(1.8)
Reduction for strict discipline academies and dropout recovery	(1.5)
Elimination of gang prevention and intervention funding.....	(1.0)
Elimination of Michigan education corps funding	(1.0)
Elimination of one-time parents university pilot	(1.0)
Adjustment for closure of Maxey	(0.9)
Reduction in college and career readiness outreach	(0.6)
Elimination of one-time early literacy teacher test.....	(0.5)
Elimination of cooperative education grant.....	(0.3)
Elimination of civics education.....	(0.1)
Subtotal Appropriation Decreases or Eliminations	(\$182.4)
TOTAL RECOMMENDED APPROPRIATION CHANGES.....	\$282.4

Fee and Revenue Proposals

Proposed Fee Adjustments

The FY 2016-17 budget proposes \$16.5 million in total fee adjustments. Of the total fee changes proposed, \$14.1 million comes from a fee increase of \$8 to \$11 for driver record lookup fees in the Department of State, and \$2.4 million comes from elimination of the sunset on the use of the Refined Petroleum Fund for the Weights and Measures and Motor Fuel Quality programs in the Department of Agriculture and Rural Development (MDARD). It is important to note that the sunset for use of the Refined Petroleum Fund is not a sunset on collection of the fee, but a sunset on the use of the Fund in MDARD programs. In addition to these two fee adjustments, the Governor proposes increases totaling about \$1.9 million to teacher certification fees in the Department of Education, but those increases are reflected in the proposal for the FY 2017-18 budget, and hence are not included in Table 17, which provides an overview of the fee adjustments included in the proposal for the FY 2016-17 budget.

Table 17

FY 2016-17 GOVERNOR'S RECOMMENDATION PROPOSED FEE ADJUSTMENTS INCLUDED IN BUDGET (Actual Dollars)		
Department	Fee Type	Estimated Revenue
Fee Increases		
State	Increase Record Lookup Fee	\$14,100,000
Subtotal Increased Fees.....		\$14,100,000
Fee Sunsets		
Agriculture & Rural Development	Refined Petroleum Fund - Remove sunset for use in weights and measures and fuel programs	\$2,373,200
Subtotal Fee Sunsets.....		\$2,373,200
TOTAL ALL FEE ADJUSTMENTS.....		\$16,473,200

Medicaid Managed Care Use Tax and Health Insurance Claims Assessment (HICA)

The Governor's FY 2016-17 Department of Health and Human Services (DHHS) budget assumes that the Medicaid managed care use tax will no longer be collected effective at the end of calendar year 2016. This is based on Federal guidance to states with such taxes indicating that those states will not be permitted to collect such taxes after the end of their current legislative session.

If the Medicaid managed care use tax is no longer collected after December 31, 2016, there will be three separate significant impacts on both the DHHS budget and the overall State budget.

First, there will be a reduction in use tax revenue of over \$450.0 million that will affect the State's General Fund and School Aid Fund. The Medicaid managed care use tax brings in over \$600.0 million per year, with two-thirds going to the General Fund and one-third going to the School Aid Fund. Termination of the collection of the tax effective December 31, 2016, will reduce FY 2016-17 GF/GP revenue by at least \$300.0 million and School Aid Fund revenue by at least \$150.0 million below FY 2015-16 levels.

Second, if the tax is terminated, there will be a reduced GF/GP need in the DHHS budget. The State is required to reimburse Medicaid managed care providers at actuarially sound rates. The Medicaid managed care use tax imposes a significant cost on those managed care entities, so the State has to reimburse them for the cost of the tax with a mix of GF/GP and Federal Medicaid match dollars. The Governor's budget assumes FY 2016-17 savings of \$140.4 million GF/GP due to no longer having to reimburse Medicaid managed care organizations for the cost of the tax in calendar year 2017. This \$140.4 million savings is still far less than the State's overall revenue loss of over \$450.0 million.

Finally, the expiration of the Medicaid managed care use tax will have an impact on the Health Insurance Claims Assessment (HICA) rate. The HICA is a tax on paid health claims, set at a rate of 1.0% upon its enactment in 2011. Tie-barred to the reinstatement of the Medicaid managed care use tax was legislation reducing the HICA rate to 0.75% as long as the Federal government permits the Medicaid managed care use tax. Upon revocation of Federal permission, the HICA rate will revert to 1.0%. The Governor's budget, tied in with its assumption that the Medicaid managed care use tax will no longer be collected after December 31, 2016, assumes, according to statute, that the HICA rate will revert to 1.0% effective January 1, 2017. That increase will increase HICA revenue by \$58.2 million, offsetting an equal amount of GF/GP funding.

It also should be noted that the HICA statute states that the HICA will expire on December 31, 2017, one quarter into FY 2017-18. The Governor's proposed budget covers both FY 2016-17 and FY 2017-18 and it assumes that the HICA sunset will be delayed past FY 2017-18. (House Bill 5014, as passed the House, would delay that sunset to the end of FY 2024-25.) If the HICA were not extended, the Governor's FY 2017-18 budget, all other things held constant, would be out of balance by approximately \$260.0 million. The HICA sunset issue would have no impact on the FY 2016-17 budget.

Major Budget Areas Appropriation Summaries

Capital Outlay, Community Colleges, and Higher Education Recommendations

Capital Outlay

The Governor's FY 2016-17 budget recommendation includes new planning authorizations for four universities, three community colleges, and two State agency projects. While planning authorizations are not a commitment on the part of the State to fund a project, if the projects eventually receive construction authorizations, the total cost to the State would be \$123.5 million. The State's share of project costs would be funded through the State Building Authority (SBA). Annual rental payments to the SBA would range from \$8.6 million to \$11.1 million until the bonds were retired (approximately 17 years). The Governor's FY 2016-17 budget included a letter stating continued support of projects recommended by the Governor in FY 2015-16 that have not been acted upon by the Legislature to date.¹ They included three university projects and two community college projects, with a total State cost of \$77.2 million. Annual rental payments to the SBA, if the projects eventually receive construction authorization would range from \$5.4 million to \$6.9 million until the bonds were retired.

Table 18 provides a summary of FY 2015-16 and FY 2016-17 recommendations by the Governor.

Community Colleges

The Governor is recommending a \$7.5 million (2.4%) GF/GP increase for community college operations distributed through a modified version of the Performance Indicators Task Force Formula. The Governor also proposes \$3.7 million of School Aid Fund (SAF) revenue to continue funding the difference between the employer's capped contribution rate for unfunded accrued liabilities (20.96%) and the actual unfunded actuarial accrued liability contributions rate. Under MPSERS reform legislation, the State must pay the difference between these amounts. The FY 2016-17 MPSERS amount totals \$73.2 million. Details of appropriations are included in Table 19.

Higher Education

The Governor's budget recommendation for Higher Education includes a \$59.8 million (\$31.2 million SAF and \$28.6 million GF/GP) 4.4% increase for university operations. Half of the increase would be distributed proportional to FY 2010-11 appropriations and half would be distributed based on the performance metrics as used in the FY 2015-16 budget. Tuition restraint is recommended at 4.8%, up from 3.2% included in FY 2015-16. Michigan State University AgBioResearch and Extension would receive an increase of \$1.4 million to bring appropriation levels back to FY 2010-11 amounts. Michigan Public School Employees Retirement System reimbursements would be increased by \$730,000 SAF, from \$5,160,000 to \$5,890,000. The Tuition Incentive Program (TIP) would increase by \$2.0 million in Federal funding, from \$48.5 million to \$50.5 million based on program need. The same increase for TIP is included in the Governor's FY 2015-16 supplemental recommendations.

Table 20 provides details of the Higher Education recommendation.

¹ The Legislature did pass a capital outlay supplemental in FY 2015-16 (Public Act 241 of 2015). That bill included only projects that were originally recommended by the Governor in FY 2014-15.

Table 18

CAPITAL OUTLAY - FY 2015-16 AND FY 2016-17 GOVERNOR'S RECOMMENDATION FOR UNIVERSITIES AND COMMUNITY COLLEGES			
Project	Total Cost	State Share	Institution Share
<u>FY 2015-16 Recommendation</u>			
Universities			
Lake Superior State University - Center for Freshwater Research & Education	\$11,800,000	\$8,850,000	\$2,950,000
U of M-Ann Arbor - School of Dentistry Renovation & Addition	122,000,000	30,000,000	92,000,000
U of M-Dearborn - Engineering Laboratory Building Replacement.....	90,000,000	30,000,000	60,000,000
Community Colleges			
Delta College - Saginaw Center	\$12,739,000	\$6,369,500	\$6,369,500
Mott - Southern Lakes Branch Center Rehabilitation/Renovation	4,045,600	2,022,800	2,022,800
FY 2015-16 Recommendation Subtotal	\$240,584,600	\$77,242,300	\$163,342,300
<u>FY 2016-17 Recommendation</u>			
Universities			
U of M-Flint - Murchie Science Building Addition	39,000,000	29,250,000	9,750,000
Saginaw Valley - College of Business & Management Expansion	17,500,000	9,800,000	7,700,000
Wayne State - STEM Innovation Learning Center	29,500,000	14,750,000	14,750,000
Eastern - Strong Hall Renovation	39,536,000	29,652,000	9,884,000
Community Colleges			
Kellogg - Regional Manufacturing Technology Center Renovation & Addition	4,300,000	2,150,000	2,150,000
Wayne County - Eastern Campus Repurposing & Upgrading	18,000,000	9,000,000	9,000,000
Northwestern - West Hall Innovation Center Renovation & Expansion	14,499,400	7,249,700	7,249,700
State Agencies			
DNR- Coolwater Rearing Hatchery Improvements ...	12,242,500	12,242,500	N/A
DTMB - Jackson State Office Building Renovation ...	9,450,000	9,450,000	N/A
FY 2016-17 Subtotal.....	\$184,027,900	\$123,544,200	\$60,483,700
TOTAL FY 2015-16 & FY 2016-17 REC.....	\$424,612,500	\$200,786,500	\$223,826,000
Notes: Projects and costs are based on institution submissions to the Department of Technology, Management, and Budget (DTMB) pursuant to requirements of Section 242 of the Management and Budget Act. State share assumes \$30.0 million maximum consistent with Capital Outlay appropriations since 2010. The DTMB is continuing to support projects recommended in the FY 2015-16 budget, as stated in the letter included with the FY 2016-17 budget recommendation on February 10, 2016.			

Table 19

FY 2016-17 COMMUNITY COLLEGE APPROPRIATIONS: GOVERNOR'S RECOMMENDATION										
College	FY 2015-16 Year-to Date Appropriation	30% Proportionate to Base	30% Weighted Student Contact Hrs.	20% Weighted Degrees/Cert.	10% Completion Improvement	5% Administrative Costs	5% Local Strategic Value	Total Adjustments	FY 2016-17 Appropriation	Percent Change
Alpena	\$5,464,400	\$39,471	\$19,457	\$21,853	\$63,741	\$11,626	\$6,578	\$162,700	\$5,627,100	3.0%
Bay de Noc	5,490,200	39,657	23,709	22,187	0	8,784	6,610	100,900	5,591,100	1.8
Delta	14,704,000	106,211	99,123	76,506	32,334	16,516	17,702	348,400	15,052,400	2.4
Glen Oaks	2,551,100	18,427	12,685	10,927	0	345	3,071	45,500	2,596,600	1.8
Gogebic	4,509,900	32,576	14,816	13,383	41,337	9,470	5,429	117,000	4,626,900	2.6
Grand Rapids	18,187,300	131,372	161,752	73,912	38,484	17,026	21,895	444,400	18,631,700	2.4
Henry Ford	21,893,300	158,142	147,213	70,788	34,054	17,644	26,357	454,200	22,347,500	2.1
Jackson	12,245,300	88,451	59,392	49,209	33,182	14,137	14,742	259,100	12,504,400	2.1
Kalamazoo Valley	12,689,400	91,659	99,327	69,215	32,254	18,557	15,277	326,300	13,015,700	2.6
Kellogg	9,950,100	71,873	62,467	45,613	0	17,724	11,979	209,700	10,159,800	2.1
Kirtland	3,221,500	23,270	21,545	19,829	0	13,319	3,878	81,800	3,303,300	2.5
Lake Michigan	5,417,700	39,134	41,425	18,336	32,458	10,022	6,522	147,900	5,565,600	2.7
Lansing	31,288,200	226,004	180,928	164,431	0	18,089	37,667	627,100	31,915,300	2.0
Macomb	33,239,500	240,099	243,723	118,484	0	18,418	40,016	660,700	33,900,200	2.0
Mid Michigan	4,757,700	34,366	42,315	32,741	33,820	10,603	5,728	159,600	4,917,300	3.4
Monroe	4,565,600	32,979	36,946	21,362	0	16,682	5,496	113,500	4,679,100	2.5
Montcalm	3,280,600	23,697	18,424	20,655	43,751	12,974	3,949	123,500	3,404,100	3.8
Mott	15,901,700	114,863	110,404	80,142	36,314	15,867	19,144	376,700	16,278,400	2.4
Muskegon	9,020,700	65,159	49,691	26,196	77,734	18,374	10,860	248,000	9,268,700	2.7
North Central	3,224,800	23,294	23,319	12,735	41,606	15,461	3,882	120,300	3,345,100	3.7
Northwestern	9,200,500	66,458	50,510	31,070	35,686	14,666	11,076	209,500	9,410,000	2.3
Oakland	21,429,400	154,791	247,181	108,992	0	12,009	25,798	548,800	21,978,200	2.6
Schoolcraft	12,706,400	91,782	120,678	74,423	33,120	16,137	15,297	351,400	13,057,800	2.8
Southwestern	6,657,600	48,090	30,616	22,934	0	6,330	8,015	116,000	6,773,600	1.7
St. Clair	7,158,000	51,704	46,658	27,710	32,616	11,838	8,617	179,100	7,337,100	2.5
Washtenaw	13,301,100	96,078	131,049	127,288	36,967	16,211	16,013	423,600	13,724,700	3.2
Wayne County	16,989,800	122,722	140,652	129,764	36,274	13,091	20,454	463,000	17,452,800	2.7
West Shore	2,446,200	17,670	13,996	9,315	34,271	3,083	2,945	81,300	2,527,500	3.3
Subtotal Operations:	\$311,492,000	\$2,249,999	\$2,250,001	\$1,500,000	\$750,003	\$375,003	\$374,997	\$7,500,000	\$318,992,000	2.4%
MPERS Retiree Hlth Care	\$1,733,600							\$0	\$1,733,600	0.0%
MPERS Reform Costs	69,500,000							3,700,000	73,200,000	5.3%
Renaissance Zone Reimbursements	5,100,000							0	5,100,000	0.0%
Total Appropriations:	\$387,825,600	\$2,249,999	\$2,250,001	\$1,500,000	\$750,003	\$375,003	\$374,997	\$11,200,000	\$399,025,600	2.9%
State School Aid Fund	256,714,800						0	3,700,000	\$260,414,800	1.4%
GF/GP	\$131,110,800	\$2,249,999	\$2,250,001	\$1,500,000	\$750,003	\$375,003	\$374,997	\$7,500,000	\$138,610,800	5.7%

Table 20

FY 2016-17 HIGHER EDUCATION APPROPRIATIONS: GOVERNOR'S RECOMMENDATION										
University	FY 2015-16 Year-To-Date Appropriation	Formula Adjustments				Total Formula Distribution	Other Changes ¹⁾	FY 2016-17 Gov's Rec.	Dollar Change from FY 2015-16	Percent Change
		Proportional to FY 2010-11	Critical Skills	Research & Development	Metrics Based on Carnegie Peers					
Central	\$81,127,100	\$1,686,521	\$353,218	\$36,356	\$2,129,009	\$4,205,100		\$85,332,200	\$4,205,100	5.2%
Eastern	71,782,500	1,600,107	335,167	0	1,387,614	3,322,900		75,105,400	3,322,900	4.6
Ferris	50,369,800	1,023,278	535,365	0	1,281,530	2,840,200		53,210,000	2,840,200	5.6
Grand Valley	65,275,700	1,304,404	525,520	0	2,606,335	4,436,300		69,712,000	4,436,300	6.8
Lake Superior	13,207,400	267,172	77,946	0	195,826	541,000		13,748,400	541,000	4.1
Michigan State	268,770,700	5,970,663	1,135,139	822,172	2,427,490	10,355,500		279,126,200	10,355,500	3.9
Michigan Tech	46,754,700	1,008,651	370,038	135,436	503,648	2,017,800		48,772,500	2,017,800	4.3
Northern	45,107,700	950,058	225,633	0	584,616	1,760,300		46,868,000	1,760,300	3.9
Oakland	48,371,900	1,068,362	459,061	23,933	1,376,993	2,928,300		51,300,200	2,928,300	6.1
Saginaw Valley	28,181,200	583,432	189,942	0	628,304	1,401,700		29,582,900	1,401,700	5.0
UM-Ann Arbor	299,975,000	6,656,142	1,218,828	1,856,291	2,987,258	12,718,500		312,693,500	12,718,500	4.2
UM-Dearborn	24,033,100	520,407	178,455	0	458,569	1,157,400		25,190,500	1,157,400	4.8
UM-Flint	21,815,400	439,836	228,915	0	434,126	1,102,900		22,918,300	1,102,900	5.1
Wayne State	191,451,300	4,507,620	363,064	397,267	1,363,567	6,631,500		198,082,800	6,631,500	3.5
Western	104,334,100	2,307,046	446,753	50,067	1,564,149	4,368,000		108,702,100	4,368,000	4.2
Subtotal University Operations	\$1,360,557,600	\$29,893,699	\$6,643,044	\$3,321,522	\$19,929,034	\$59,787,400	\$0	\$1,420,345,000	\$59,787,400	4.4%
MPERS Reimbursement	5,160,000						730,000	5,890,000	730,000	14.1
MSU AgBioResearch	32,508,300						734,800	33,243,100	734,800	2.3
MSU Extension	27,994,800						677,800	28,672,600	677,800	2.4
Higher Education Database	200,000							200,000	0	0.0
Midwest Higher Ed Compact	115,000							115,000	0	0.0
King-Chavez-Parks	2,691,500							2,691,500	0	0.0
Total Universities	\$1,429,227,200	\$29,893,699	\$6,643,044	\$3,321,522	\$19,929,034	\$59,787,400	\$2,142,600	\$1,491,157,200	\$61,930,000	4.3%
School Aid Fund	205,179,500	0	0	0	0	31,200,000	730,000	237,109,500	31,930,000	15.6
State GF/GP	1,224,047,700	29,893,699	6,643,044	3,321,522	19,929,034	28,587,400	1,412,600	1,254,047,700	30,000,000	2.5
Grants and Financial Aid										
State Competitive Scholarships	\$18,361,700						\$0	\$18,361,700	\$0	0.0%
Tuition Grants	34,035,500						0	34,035,500	0	0.0
Tuition Incentive Program (TIP)	48,500,000						2,000,000	50,500,000	2,000,000	4.1
Children of Vets & Officer's Tuition	1,400,000						0	1,400,000	0	0.0
Project Gear-Up	3,200,000						0	3,200,000	0	0.0
Total Grants/Financial Aid	\$105,497,200						\$2,000,000	\$107,497,200	\$2,000,000	1.9%
Federal Higher Ed Act	3,200,000						0	3,200,000	0	0.0
Federal TANF	93,826,400						2,000,000	95,826,400	2,000,000	2.1
Veterans Tax Check-off	100,000						0	100,000	0	0.0
State GF/GP	8,370,800						0	8,370,800	0	0.0
TOTAL HIGHER EDUCATION										
TOTAL ALL FUNDS	\$1,534,724,400	\$29,893,699	\$6,643,044	\$3,321,522	\$19,929,034	\$59,787,400	\$4,142,600	\$1,598,654,400	\$63,930,000	4.2%
TOTAL FEDERAL	\$97,026,400	0	0	0	0	0	\$2,000,000	\$99,026,400	\$2,000,000	2.1%
TOTAL STATE RESTRICTED	\$205,279,500	0	0	0	0	\$31,200,000	\$730,000	\$237,209,500	\$31,930,000	15.6%
TOTAL STATE GF/GP	\$1,232,418,500	\$29,893,699	\$6,643,044	\$3,321,522	\$19,929,034	\$28,587,400	\$1,412,600	\$1,262,418,500	\$30,000,000	2.4%

¹⁾ Other Changes column: MPERS adjustments, increases for MSU AgBioResearch and MSU Extension, and the Tuition Incentive Program.

Department of Health and Human Services Recommendations

The Governor's FY 2016-17 Department of Health and Human Services (DHHS) budget features an increase in funding of \$207.1 million GF/GP over the FY 2015-16 budget, from \$4.14 billion to \$4.35 billion GF/GP. This net increase is a combination of the usual caseload and other technical adjustments (\$67.8 million GF/GP increase), fund source shifts (\$141.1 million GF/GP increase), program increases (\$199.9 million GF/GP, mostly related to new pharmaceuticals), GF/GP savings in Children's Services (\$6.0 million), and changes related to the anticipated December 31, 2016 expiration of the managed care use tax (\$198.6 million GF/GP savings, with a reduction in State revenue not reflected in the DHHS budget of over \$300.0 million GF/GP and \$150.0 million School Aid Fund).

This budget is, for the most part, a continuation budget. There are few reductions and few program enhancements. Most of the major expenditure adjustments are tied to Federal or State policy changes, caseload changes, or changes in the availability of non-General Fund fund sources.

The budget also includes one rather significant boilerplate section, Section 298, which would require the transfer, by fiscal year's end, of funding for Medicaid behavioral health services (\$2.5 billion full year) from the Prepaid Inpatient Health Plans (PIHPs) to the Medicaid health maintenance organizations (HMOs).

Caseload and Other Technical Adjustments

The budget reflects increases in costs for Medicaid and related programs totaling \$85.6 million GF/GP. The budget also includes the usual adjustments to ensure that rates paid to Medicaid managed care organizations are actuarially sound. The total cost would be \$32.1 million GF/GP. The cost for the Healthy Michigan Plan would be lower than what was budgeted for FY 2015-16. This is not due to a decline in caseload; it simply reflects that expenditures have not reached the appropriated level. There were a number of minor adjustments to caseloads for cash assistance and children's services programs in the former Department of Human Services. Congressional action has led to a January 1, 2017, suspension of the so-called "ACA fee", a fee on health insurers created under the Federal Affordable Care Act, for savings of \$36.7 million GF/GP.

Fund Source Shifts

The traditional Medicaid match rate will decrease from 65.6% to 65.15% in FY 2016-17, leading to a GF/GP cost increase of \$49.2 million. On January 1, 2017, the State will have to cover 5.0% of the cost of the Healthy Michigan Plan, at a cost of \$127.8 million GF/GP. The budget also reflects an increase in tobacco tax revenue (\$17.5 million GF/GP savings) and an enhanced match for the MICHild program (\$30.0 million GF/GP savings). As part of the Detroit Public Schools proposal, the amount of Merit Award Trust Fund revenue used to support Medicaid is reduced in the proposed budget by \$23.7 million, but is replaced with \$23.7 million GF/GP.

The FY 2015-16 budget included a one-time \$92.9 million increase in the hospital Quality Assurance Assessment Program (QAAP) retainer. This increase would be replaced by a \$105.0 million retainer for hospital QAAP revenue in the Healthy Michigan Plan, leading to a \$12.1 million GF/GP savings.

Program Increases

The major expenditure increase in the proposed DHHS budget is tied to the coverage of new drugs for hepatitis C and cystic fibrosis. The budget includes \$135.2 million GF/GP to cover the full-year

costs for these new medications. The budget also includes a \$30.0 million GF/GP one-time item to cover potential costs for other new drugs that may begin to be reimbursed in FY 2016-17.

The budget includes funding for a 30-bed expansion of the Center for Forensic Psychiatry (\$7.6 million GF/GP). The budget reflects the expansion of the Healthy Kids Dental program to all children up to age 20 in Kent, Oakland, and Wayne Counties, thereby expanding the program statewide, at a cost of \$8.9 million GF/GP, for a total program cost of \$200.0 million Gross, \$69.7 million GF/GP.

The budget includes \$7.7 million GF/GP to continue implementing the Michigan Statewide Automated Child Welfare Information System (SACWIS), with the intent of achieving compliance with the children's rights lawsuit settlement and Federal requirements.

Finally, the budget includes \$9.1 million GF/GP (\$15.2 million Gross) for lead abatement, investigation, and case management in the City of Flint.

Children's Services Savings

The Governor's budget would eliminate county hold-harmless funding for children's services. This effectively means that the State would move from providing 100% of certain child care fund, private residential, and private administrative rates back to the traditional 50/50 cost share with counties. The proposal would save the State \$5.2 million GF/GP.

Anticipated December 31, 2016 Expiration of the Medicaid Managed Care Use Tax

Pursuant to Federal guidance, the proposed budget reflects the expiration of the managed care use tax at the end of the current legislative session. This expiration would have a major negative impact on State revenue, with a reduction of over \$300.0 million to the General Fund and over \$150.0 million to the School Aid Fund. Within the DHHS budget, the impact actually would reduce GF/GP costs, as the State no longer would have to reimburse the Medicaid HMOs and PIHPs for the cost of the tax. That would lead to savings of \$140.4 million GF/GP.

Once the use tax was no longer allowable as Medicaid match, the Health Insurance Claims Assessment (HICA) rate would revert from its current 0.75% rate to the original 1.0% rate. This January 1, 2017, rate change would increase HICA revenue by \$58.2 million, offsetting an equal amount of GF/GP funding.

Boilerplate Item

Section 298 in the proposed bill would require the Department to transfer PIHP funding and responsibilities to the Medicaid HMOs by September 30, 2017. The language would require an integration plan to be developed with input from the Community Mental Health (CMH) boards, the Medicaid HMOs, and consumers of behavioral health services.

At present, total PIHP funding, including Healthy Michigan Plan funding, exceeds \$2.5 billion. While any change in FY 2016-17 would be for a partial year only, the responsibility for \$2.5 billion in behavioral health services would be transferred from the public PIHPs to the Medicaid HMOs in FY 2017-18. The remaining public mental health funding would be the \$117.1 million contained in the CMH non-Medicaid line.

This boilerplate section would have a major impact on both the CMHs, in particular the larger CMHs that are both CMHs and PIHPs, and the Medicaid HMOs.

Revenue Sharing Payments

The Governor recommends revenue sharing payments of approximately \$1.3 billion in FY 2016-17, an increase of 2.9% or \$35.1 million over FY 2015-16 year-to-date appropriations. This increase consists of a \$29.4 million increase in constitutional revenue sharing for cities, villages, and townships (CVTs), an increase in revenue sharing payments to counties of \$467,500 or 0.2% to cover the cost of counties returning for the first full or part-year of State-paid revenue sharing in FY 2016-17, a reduction in nonconstitutional city, village, and township revenue sharing of \$5.8 million or 2.3%, and the addition of \$11.0 million for the Competitive Grant Assistance Program, which was last funded in FY 2013-14. The Governor's recommended appropriations for revenue sharing for FY 2016-17 are shown in Table 21.

Table 21

REVENUE SHARING APPROPRIATION SUMMARY				
Ongoing & One-Time Appropriations	FY 2015-16 Year-to-Date	FY 2016-17 Gov's Rec.	Dollar Change	Percent Change
Constitutional Revenue Sharing	\$752,114,700 ^{a)}	\$781,501,400	\$29,386,700	3.9%
CVT Revenue Sharing	248,840,000	243,040,000	(5,800,000)	(2.3)
County Incentive Program	42,940,000	43,033,500	93,500	0.2
County Revenue Sharing	171,760,000	172,134,000	374,000	0.2
Financially Distressed CVTs	5,000,000	5,000,000	0	0.0
Competitive Grant Assistance Program	0	11,000,000	11,000,000	--
TOTAL	\$1,220,654,700	\$1,255,708,900	\$35,054,200	2.9%
^{a)} Reflects the January 2016 consensus revenue estimate for sales tax revenue.				

Based on the January 2016 consensus revenue estimates, constitutional revenue sharing is estimated at \$781,501,400 in FY 2016-17. This would provide CVTs with a 3.9% increase in payments over the revised FY 2015-16 estimate. Constitutional revenue sharing pays CVTs 15.0% of sales tax collected at a rate of 4.0%. The funds are distributed on a per capita basis. Each CVT is projected to receive approximately \$79.32 per capita in FY 2016-17.

For city, village, and township nonconstitutional revenue sharing payments, the Governor recommends \$243,040,000 in FY 2016-17, a decrease of \$5.8 million or 2.3%. The Governor proposes to limit eligibility to CVTs that received at least \$4,500 in statutory revenue sharing payments in FY 2009-10. This would eliminate payments of approximately \$2.65 per capita to CVTs with a population over 7,500 that are not otherwise eligible for statutory revenue sharing. This would reduce the number of eligible CVTs from 587 to 486, removing 101 local units (100 townships and one city) from nonconstitutional revenue sharing. Another 15 local units would have reduced payments because they would no longer be able to receive the higher of the per capita payment or the payment based on FY 2009-10 payments. Payments in FY 2016-17 would be made at about 78.5% of the statutory revenue sharing payments made in FY 2009-10. The proposal would require CVTs to comply with accountability and transparency requirements in order to receive full funding.

The Governor recommends that revenue sharing payments to counties increase by 0.2% to \$215.2 million. As in the current year, this funding would be distributed through two line items. The County Revenue Sharing line would increase by \$374,000 to \$172,134,000 and the County Incentive Program would increase by \$93,500 to \$43,033,500. These increases would cover the cost of two counties (Alcona and Charlevoix) that will return to State-paid revenue sharing in FY 2016-17 and increased costs associated with the two counties that returned to State-paid revenue sharing for a partial year in FY 2015-16 and will receive full-year funding in FY 2016-17. Payments

to other counties would not change. Only five counties (Antrim, Emmet, Keweenaw, Leelanau, and Mackinac) would continue to make authorized withdrawals from their revenue sharing reserve funds (created by the one-time acceleration of county property tax collections in 2005) in lieu of State-paid revenue sharing. These last five counties are projected to return to State-paid revenue sharing from FY 2018-19 to FY 2022-23 when withdrawals from their revenue sharing reserve funds are completed. As in prior years, compliance with accountability and transparency criteria would be required for eligible counties to receive full payments under the County Incentive Program in FY 2016-17.

The Governor recommends funding for two revenue sharing grant programs in FY 2016-17. The Competitive Grant Assistance Program would be funded at \$11.0 million, which consists of \$5.8 million in ongoing appropriations and \$5.2 million in one-time funding. This would be the first time this program has been funded since FY 2013-14. Appropriations of \$15.0 million annually were made for the program from FY 2011-12 to FY 2013-14. The Competitive Grant Assistance Program provides grants to local governments for costs associated with mergers, interlocal agreements, and cooperative efforts. The grant program for Financially Distressed Cities, Villages, or Townships would be maintained at \$5.0 million in FY 2016-17, the same level of funding as in FY 2015-16.

Summary of Other General Appropriation Issues

State Employee Compensation Changes

Article XI, Section 5 of the Michigan Constitution provides that increases in the rates of compensation authorized by the Civil Service Commission require prior notice to the Governor, who then transmits the increases to the Legislature as part of the overall budget recommendation. Within 60 calendar days after the transmission, the Legislature, by a two-thirds vote of the members elected and serving in each house, may reject or reduce increases in the rate of compensation authorized by the Civil Service Commission. Reductions made by the Legislature must apply uniformly to all classes of employees and cannot adjust pay differentials already established by the Civil Service Commission. Rates of compensation also cannot be reduced below those in effect at the time the increases are transmitted to the Legislature.

The Civil Service Commission on December 16, 2015, approved a one-year agreement for wages and benefits for employees who are exclusively represented by employee unions (AFSCME, MCO, MSEA, SEIU, and UAW) for fiscal year (FY) 2016-17. The Commission approved a 1.0% general wage increase and a 1.5% lump-sum payment effective October 1, 2016, for represented employees. Additionally, the one-year contract will require represented employees to continue to pay 20% of their health care premiums. The wage and benefit portions of the contract will be negotiated for future fiscal years at a later date.

Noneconomic issues such as designating classification groups and job category definitions and codes were approved for three fiscal years (FY 2016-17, FY 2017-18, and FY 2018-19).

The Civil Service Commission also adopted a Coordinated Compensation Plan for non-exclusively represented (NERE) State classified employees for FY 2016-17. Beginning on October 1, 2016, NEREs will receive a 1.0% general wage increase and a 1.5% lump-sum payment. They also will continue to pay 20% of their health insurance premium in FY 2016-17. Coordinated Compensation Plans for NEREs are approved by the Civil Service Commission on an annual basis; thus, a compensation plan for FY 2017-18 will not be approved until December 2016.

Total Gross employee wages and salaries in the FY 2016-17 Governor's budget are an estimated \$3.3 billion, while other total Gross employee benefit costs are an estimated \$2.9 billion.

Table 22 provides a summary of the incremental State employee cost changes for FY 2016-17 recommended in the Governor's budget, including employee salary increases of \$75.1 million. The State's portion of the cost of employee health insurance is estimated to increase by \$18.9 million for FY 2016-17. The amount that needs to be contributed to the State employee retirement systems in FY 2016-17 results in an increase in costs. Retirement contributions will increase \$9.7 million Gross and \$4.9 million GF/GP. Other Post Employment Benefits (OPEB) costs for FY 2016-17 will be more than the costs in FY 2015-16. Gross changes for OPEB will total \$30.6 million or \$14.0 million GF/GP. The total GF/GP impact of economic adjustments for FY 2016-17 is an increase of \$68.8 million.

Table 22

FY 2016-17 STATE BUDGET RECOMMENDATION ECONOMIC INCREASES INCLUDED IN BUDGET (Millions of Dollars)		
	Gross	GF/GP
Wages and Salaries.....	\$75.1	\$37.8
Employee Insurance Costs.....	18.9	9.3
Retirement Contributions.....	9.7	4.9
OPEB.....	30.6	14.0
Workers' Compensation.....	0.4	0.5
All Other Economics.....	3.0	2.3
TOTAL ECONOMICS.....	\$137.7	\$68.8

Employer Retirement Contribution Rates

A significant aspect of the State budget, as well as the budgets of K-12 school districts and community colleges, is the amount employers are required to pay into the retirement accounts of their employees. The Governor's budget includes the required employer contribution rates to the State Employees' Retirement System (SERS) and the Michigan Public School Employees' Retirement System (MPERS). Public Act 300 of 2012 implemented a cap on the rate local employers in MPERS must pay toward the unfunded accrued liabilities (UAL) in the system, with any required payments above that cap to be made by an appropriation.

Table 23 provides a three-year summary of the contribution rates for defined benefit (DB) and defined contribution (DC) retirement for SERS. Contribution rates are a combination of the amount required to pay down liabilities accrued in the past (legacy costs) and the amount required to pay for benefits earned today (normal cost). Beginning in FY 2012-13, the unfunded accrued liability in SERS was spread across both DB and DC payroll, rather than just the declining DB payroll as had been the case previously. Also, beginning in FY 2011-12, the funding methodology for retiree health care was changed from a cash basis to a prefunding basis, requiring larger contributions up front in order to save money down the road. The State Employees' Retirement System pension component was closed to newly hired employees on March 31, 1997, and the retiree health care premium coverage component was closed to new employees on January 1, 2012.

Table 23

STATE RETIREMENT CONTRIBUTION RATES AS A PERCENTAGE OF PAYROLL				
	FY 2014-15	FY 2015-16	FY 2016-17	2016-17 Change
<u>State Employees' Retirement System¹⁾</u>				
Defined Benefit Pension	27.46%	26.05%	25.50%	(0.55%)
Defined Benefit Health Care	22.76	20.63	21.05	0.42
Total Defined Benefit Costs	50.22%	46.68%	46.55%	(0.13%)
Defined Contribution Retirement	31.09%	29.74%	28.94%	(0.80%)
Defined Contribution Health Care	23.21	21.16	21.70	0.54
Total Defined Contribution Costs	54.30%	50.90%	50.64%	(0.26%)
¹⁾ Public Act 264 of 2011 required the unfunded accrued liability to be spread across both DB and DC payroll. Also, FY 2016-17 will be the sixth year of prefunding retiree health.				

Table 24 provides a look at the FY 2016-17 contribution rates for the seven different retirement plan combinations in MPERS. Before the enactment of significant MPERS reforms in 2010 and 2012, there were two principal types of retirement plans available to school employees, based on hire date: the basic system and the Member Investment Plan (MIP) system. Since the passage of the reforms that began in 2010, there are now seven combinations of retirement and retiree health care plans in MPERS, including the earlier basic and MIP plans (no longer available to new employees), the Pension Plus hybrid plan (available since July 2010), and a straight defined contribution plan (available since September 2012). Retiree health care for school employees first hired since September 4, 2012, is now strictly a personal health fund (401k or similar savings account) and does not contain any health care premium subsidy. All employees hired before September 4, 2012, also were given an opportunity to "cash out" the value of their health care premium subsidy and convert to a personal health fund. Similar to one of the SERS reforms, prefunding of retiree health care is now a component of MPERS.

Table 24

FY 2016-17 MPSERS EMPLOYER CONTRIBUTION RATES							
	Basic/MIP with Premium Subsidy	Pension Plus with Premium Subsidy	Pension Plus PHF	Pension Plus to DC with PHF	Basic/MIP to DC with Premium Subsidy	Basic/MIP to DC with PHF	Basic/MIP with PHF
<u>Pension Contributions</u>							
Pension Normal Cost	3.76%	3.13%	3.13%	0.00%	0.00%	0.00%	3.76%
Pension UAL	13.91	13.91	13.91	13.91	13.91	13.91	13.91
Pension Early Retirement Incentive	1.36	1.36	1.36	1.36	1.36	1.36	1.36
Pension Total Rate	19.03%	18.40%	18.40%	15.27%	15.27%	15.27%	19.03%
<u>Health Contributions</u>							
Health Normal Cost	0.22%	0.22%	0.00%	0.00%	0.22%	0.00%	0.00%
Health UAL	5.69	5.69	5.69	5.69	5.69	5.69	5.69
Health Total Rate	5.91%	5.91%	5.69%	5.69%	5.91%	5.69%	5.69%
DB CONTRIBUTION TOTAL	24.94%	24.31%	24.09%	20.96%	21.18%	20.96%	24.72%
<u>DC Contributions</u>							
DC Employer Contributions	0.00%	1.00%	1.00%	3.00%	4.00%	4.00%	0.00%
Personal Health Care Fund	0.00	0.00	2.00	2.00	0.00	2.00	2.00
DC CONTRIBUTION TOTAL	0.00%	1.00%	3.00%	5.00%	4.00%	6.00%	2.00%
<u>Total Uncapped Rate</u>	36.64%	36.01%	35.79%	32.66%	32.88%	32.66%	36.42%
State Subsidy	11.70	11.70	11.70	11.70	11.70	11.70	11.70
DC = Defined Contribution; MIP = Member Investment Plan; PHF = Personal Health Fund							
Note: The Governor's budget includes \$982.8 million in the K-12 budget, \$73.2 million in the Community Colleges budget, and \$5.9 million in the Higher Education budget to pay the State subsidy for the UAL rate cap. For Higher Education, separate implementing legislation to enact the UAL rate cap is pending.							

Source: State Budget Office

Public Act 300 of 2012 capped the local employer contribution rate for unfunded liabilities at roughly 21% of payroll (the FY 2011-12 amount), and the State is required to make an appropriation for any liabilities above that amount. The "normal" cost for pension and retiree health care can fluctuate slightly from year to year. The maximum total employer (school) cost for FY 2016-17 under any of the seven plans is between roughly 25% and 27% of payroll, depending on the plan and employee DC contributions, slightly lower than for FY 2015-16. The State subsidy is roughly 11.7% of MPSERS payroll for schools, community colleges, and participating libraries, or about \$1,056.0 million, up from 10.5% in FY 2015-16. For the second year, the Governor is proposing to implement a rate cap for the seven universities that remain part of MPSERS for employees hired before 1996, at a cost of \$5.9 million.

Table 25 outlines the FY 2016-17 estimated contributions to SERS and MPSERS by the State and local employers, as proposed in the Governor's budget. The total combined cost of the estimated employer (State and local) contributions is \$5.0 billion.

Table 25

FY 2016-17 ESTIMATED CONTRIBUTIONS TO TWO LARGEST RETIREMENT SYSTEMS	
	Millions of Dollars
<u>State Employees' Retirement System (SERS)¹⁾</u>	
Defined Benefit Pension	\$286.0
Defined Contribution	653.0
Retiree Health Care	726.0
Subtotal State Employees' Retirement System ²⁾	\$1,665.0
<u>Michigan Public School Employees' Retirement System (MPSERS)³⁾</u>	
<u>Local Share</u>	
Defined Benefit Pension	\$1,688.0
Defined Benefit Health Care	525.0
"401k" for Health Care	25.0
Subtotal Public School Employees' Retirement System (Local).....	\$2,248.0
<u>State Share</u>	
Unfunded Accrued Liabilities (Pension and Health) ⁴⁾	\$1,056.0
Subtotal Michigan Public School Employees' Retirement System	\$3,304.0
TOTAL ESTIMATED RETIREMENT CONTRIBUTIONS	\$4,969.0
FY 2016-17 Estimated Subsidy Per K-12 Pupil on Average	\$600
1) Public Act 264 of 2011 required the unfunded accrued liability to be spread across both DB and DC payroll. Also, FY 2016-17 will be the sixth year of prefunding retiree health. 2) Excludes FICA, which totals approximately \$260.0 million. 3) Excludes DC contributions for pension; includes DC contributions for health. 4) Excludes State payment of \$5.9 million proposed for participating universities.	

For the second year, the Governor's proposed budget includes a boilerplate section for each department identifying how much of the appropriation is in support of the legacy costs associated with the State Employees' Retirement System. As noted earlier, the total contributions made to

a retirement system are a combination of a payment toward the past unfunded accrued liabilities for benefits already earned (legacy costs) and a payment toward the accrual of service credit in the future (normal costs). As shown on Table 25, the total contributions in the State Employees' Retirement System are estimated by the Senate Fiscal Agency at \$1.67 billion, and of that total, \$1.35 billion is estimated by the State Budget Office for legacy costs (both pension and health), with the remaining \$316.0 million for normal costs including State DC contributions for SERS. Table 26 identifies the estimated legacy costs for pension and for retiree health care, and the total of the two, for each department.

Table 26
FY 2016-17
LEGACY COSTS BREAKOUT – PENSIONS AND HEALTH CARE

Department	Pension-Related Legacy Costs (Retirement) Gross	Health Care Legacy Costs (OPEB) Gross	Total Legacy Costs Gross
Agriculture & Rural Development	\$6,604,500	\$5,306,800	\$11,911,300
Attorney General	10,096,700	8,264,300	18,361,000
Civil Rights	1,697,800	1,364,200	3,062,000
Corrections	187,327,100	150,531,100	337,858,200
Education	9,410,700	7,560,800	16,971,500
Environmental Quality	18,429,800	14,808,400	33,238,200
Health & Human Services	202,368,400	162,604,400	364,972,800
Insurance & Financial Services	5,663,800	4,550,900	10,214,700
Judiciary	7,820,600	6,284,000	14,104,600
Legislature and Auditor General	11,998,700	9,280,900	21,279,600
Licensing & Regulatory Affairs	29,735,200	23,892,700	53,627,900
Military & Veterans Affairs	10,314,600	8,287,900	18,602,500
Natural Resources	26,375,000	21,192,500	47,567,500
State	17,673,400	14,200,700	31,874,100
State Police	71,007,700	62,299,400	133,307,100
Talent & Economic Development	19,452,700	15,630,400	35,083,100
Technology, Management & Budget	43,795,600	35,166,400	78,962,000
Transportation	39,063,000	31,387,500	70,450,500
Treasury	27,530,500	22,121,300	49,651,800
TOTAL	\$746,365,800	\$604,734,600	\$1,351,100,400

Source: State Budget Office

Debt Service Adjustments

Table 27 provides a summary of recommended debt service appropriations for FY 2016-17. These include School Bond Loan Fund bonds in K-12 School Aid; State Building Authority rent payments appropriated in the Department of Technology, Management, and Budget (DTMB); various transportation-related bonds in the Department of Transportation; general obligation bonds in the Department of Treasury; debt service costs related to the Facility for Rare Isotope Beams and debt service costs associated with the Community College Skilled Trades Equipment Program. Gross appropriations for debt service on these bonds total \$759.9 million for FY 2016-17. This represents a \$28.4 million (3.6%) decrease from the \$788.3 million debt service appropriations in FY 2015-16.

Table 27

DEBT SERVICE APPROPRIATIONS FY 2016-17 COMPARED WITH FY 2015-16				
Department/Program	FY 2015-16 Gross Appropriation	FY 2016-17 Est. Gross Appropriation	Dollar Change	Percent Change
School Aid				
School Bond Loan	\$126,500,000	\$126,500,000	\$0	0.0%
Subtotal School Aid	\$126,500,000	\$126,500,000	\$0	0.0%
Talent & Economic Development				
Facility For Rare Isotope Beams (MSF)	\$7,300,000	\$7,300,000	\$0	0.0%
Community College Skilled Trades Equipment Program (MSF)	4,600,000	4,600,000	0	0.0
Subtotal Talent & Economic Development	\$11,900,000	\$11,900,000	\$0	0.0%
DTMB State Building Authority Rent				
State Agencies	\$52,265,800	\$49,665,800	(\$2,600,000)	(5.0%)
Department of Corrections	36,829,900	21,029,900	(15,800,000)	(42.9)
Universities	135,995,300	144,995,300	9,000,000	6.6
Community Colleges	29,479,600	30,879,600	1,400,000	4.7
Subtotal Technology, Mgt., & Budget	\$254,570,600	\$246,570,600	(\$8,000,000)	(3.1%)
Transportation				
State Trunkline	\$194,617,900	\$194,076,400	(\$541,500)	(0.3%)
Economic Development	11,672,600	11,612,200	(60,400)	(0.5)
Local Bridge Fund	2,406,800	2,406,800	0	0.0
Blue Water Bridge Fund	6,963,600	6,963,600	0	0.0
Aeronautics.....	4,997,700	4,616,400	(381,300)	(7.6)
Comprehensive Transportation	18,202,200	18,249,900	47,700	0.3
Subtotal Transportation.....	\$238,860,800	\$237,925,300	(\$935,500)	(0.4%)
Treasury				
Quality of Life Bond	\$75,959,000	\$28,687,000	(\$47,272,000)	(62.2%)
Clean Michigan Initiative	63,961,000	89,477,000	25,516,000	39.9
Great Lakes Water Initiative	16,529,000	18,873,000	2,344,000	14.2
Subtotal Treasury.....	\$156,449,000	\$137,037,000	(\$19,412,000)	(12.4%)
TOTAL.....	\$788,280,400	\$759,932,900	(\$28,347,500)	(3.6%)
Note: Does not include Michigan Strategic Fund (MSF) bonding for the Cadillac Place, House Office Building, or Senate Office Building.				

Tobacco Settlement Revenue and Appropriations

In 1998, a Master Settlement Agreement was reached between 46 states, including Michigan, and certain U.S. tobacco manufacturers, to provide annual payments to states. The payments began in 2000 and will continue in perpetuity. As Table 28 illustrates, there are several transfers out of the tobacco settlement revenue before it is deposited into the Merit Award Trust Fund, where it is available for appropriation by the Legislature. Pursuant to law, \$75.0 million of the tobacco settlement revenue is earmarked each fiscal year, from FY 2007-08 through FY 2018-19, for the 21st Century Jobs Trust Fund. Also pursuant to law, \$17.5 million of the tobacco settlement revenue is deposited each fiscal year, from FY 2014-15 through FY 2034-35, into the Budget Stabilization Fund as repayment for an FY 2013-14 State appropriation of \$194.8 million to the Settlement Administration Fund to help mitigate the impact of the City of Detroit bankruptcy on its pensioners. For FY 2016-17, the Governor is proposing a new statutory earmark of \$72.0 million annually for 10 years, for payments to implement a new system for schools in Detroit.

The other transfer of funds from tobacco settlement revenue is for debt service on the securitization of a portion of the tobacco settlement revenue in 2006 and 2007. The debt service amount for FY 2016-17 is estimated to be \$61.3 million. Under the Governor's proposal, there would be an estimated FY 2016-17 year-end balance of zero in the Merit Award Trust Fund.

Table 28

TOBACCO SETTLEMENT REVENUE AND APPROPRIATIONS FY 2015-16 COMPARED TO FY 2016-17 GOVERNOR'S RECOMMENDATION (Actual Dollars)			
	FY 2015-16 Year-To-Date	FY 2016-17 Gov's Rec.	Gov's Rec. Chg. From FY 2015-16
Revenue			
Unreserved Balance From Prior Fiscal Year	\$61,187,000	\$48,663,400	(\$12,523,600)
Total Annual Payments	285,158,000	283,931,800	(1,226,200)
Assumed Withheld Payments	(8,500,000)	(8,500,000)	0
Settlement Credit to Manufacturers/Adjustments	(22,778,500)	(21,097,400)	1,681,100
Interest Earnings	60,000	60,000	0
Total Tobacco Settlement Revenue	\$315,126,500	\$303,057,800	(\$12,068,700)
Less Transfers Out For:			
21st Century Jobs Trust Fund	(\$75,000,000)	(\$75,000,000)	\$0
Payment to Budget Stabilization Fund (Detroit)	(17,500,000)	(17,500,000)	0
Payments for Detroit Public Schools	0	(72,000,000)	(72,000,000)
Payment on 2006 Bond Securitization	(33,867,500)	(33,928,200)	(60,700)
Payment on 2007 Bond Securitization	(27,342,800)	(27,391,800)	(49,000)
Total Transfers Out	(\$153,710,300)	(\$225,820,000)	(\$72,109,700)
Net Revenue To Merit Award Trust Fund	\$161,416,200	\$77,237,800	(\$84,178,400)
Appropriations			
<u>Attorney General</u>			
Operations	\$485,200	\$495,700	\$10,500
<u>Health and Human Services</u>			
Medicaid Base	64,266,000	40,604,100	(23,661,900)
Aging: Respite Care	4,068,700	4,068,700	0
Family Independence Program	30,100,000	30,100,000	0
<u>State Police</u>			
Tobacco Tax Enforcement	793,100	805,500	12,400
<u>Technology, Management, and Budget</u>			
Venture Michigan Tax Voucher Purchase	11,900,000	0	(11,900,000)
<u>Department of Treasury</u>			
Student Financial Services Administration	1,139,800	1,163,800	24,000
Total Merit Award Trust Fund Appropriations	\$112,752,800	\$77,237,800	(\$35,515,000)
MERIT AWARD TRUST FUND YEAR-END BALANCE	\$48,663,400	\$0	(\$48,663,400)

Data Source: State Budget Office

Recent State Appropriation History

Table 29

ADJUSTED GROSS APPROPRIATION HISTORY (Millions of Dollars)			
Fiscal Year	Appropriations	Dollar Change	Percent Change
2000-01	\$36,953.3	\$1,535.6	4.3%
2001-02	38,751.3	1,798.0	4.9
2002-03	39,553.1	801.8	2.1
2003-04	39,115.3	(437.8)	(1.1)
2004-05	39,908.5	793.2	2.0
2005-06	41,322.7	1,414.2	3.5
2006-07	41,851.8	529.1	1.3
2007-08	43,616.5	1,764.7	4.2
2008-09	47,942.0	4,325.5	9.9
2009-10	45,656.6	(2,285.3)	(4.8)
2010-11	48,089.6	2,433.0	5.3
2011-12	47,598.1	(491.6)	(1.0)
2012-13	47,758.6	160.6	0.3
2013-14	50,199.5	2,440.9	5.1
2014-15	53,074.9	2,875.4	5.7
2015-16	53,604.1	529.3	1.0
2016-17 (Gov's Rec.)	54,025.4	421.3	0.8
Change FY 2006-07 to FY 2016-17		\$12,173.6	29.1%
Detroit CPI 10-Year Percent Change			13.7%
Note: Does not include Budget Stabilization Fund appropriations of \$362.7 million, \$140.0 million, \$75.0 million, \$94.0 million, and \$95.0 million for FYs 2011-12, 2012-13, 2013-14, 2014-15, and 2015-16, respectively; includes \$147.1 million FY 2013-14 appropriation and \$82.9 million FY 2014-15 appropriation from the Roads and Risks Reserve Fund.			

Table 30

STATE SPENDING FROM STATE RESOURCES APPROPRIATION HISTORY (Millions of Dollars)			
Fiscal Year	Appropriations	Dollar Change	Percent Change
2000-01	\$25,761.6	\$1,182.6	4.8%
2001-02	26,086.8	325.2	1.3
2002-03	26,020.5	(66.3)	(0.3)
2003-04	25,802.5	(218.0)	(0.8)
2004-05	26,285.3	482.8	1.9
2005-06	27,704.0	1,418.7	5.4
2006-07	27,928.6	224.6	0.8
2007-08	28,441.3	512.7	1.8
2008-09	26,309.9	(2,131.4)	(7.5)
2009-10	25,239.0	(1,070.8)	(4.1)
2010-11	26,266.7	1,027.7	4.1
2011-12	27,346.9	1,080.3	4.1
2012-13	27,847.1	500.2	1.8
2013-14	29,164.7	1,317.6	4.7
2014-15	29,868.0	703.3	2.4
2015-16	30,133.9	265.9	0.9
2016-17 (Gov's Rec.)	31,126.2	992.3	3.3
Change FY 2006-07 to FY 2016-17		\$3,197.6	11.4%
Detroit CPI 10-Year Percent Change			13.7%
Note: Does not include Budget Stabilization Fund appropriations of \$362.7 million, \$140.0 million, \$75.0 million, \$94.0 million, and \$95.0 million for FYs 2011-12, 2012-13, 2013-14, 2014-15, and FY 2015-16, respectively; includes \$147.1 million FY 2013-14 appropriation and \$82.9 million FY 2014-15 appropriation from the Roads and Risks Reserve Fund.			

Table 31

GENERAL FUND/GENERAL PURPOSE APPROPRIATION HISTORY (millions of dollars)			
Fiscal Year	Appropriations	Dollar Change	Percent Change
2000-01	\$9,744.4	\$136.7	1.4%
2001-02	9,189.3	(555.1)	(5.7)
2002-03	8,830.9	(358.4)	(3.9)
2003-04	8,770.1	(60.8)	(0.7)
2004-05	8,702.8	(67.3)	(0.8)
2005-06	9,106.3	403.5	4.6
2006-07	9,118.7	12.4	0.1
2007-08	9,980.7	862.0	9.5
2008-09	8,568.7	(1,412.0)	(14.1)
2009-10	7,787.4	(781.2)	(9.1)
2010-11	8,424.6	637.2	8.2
2011-12	8,341.1	(83.6)	(1.0)
2012-13	9,024.2	683.2	8.2
2013-14	9,571.3	547.1	6.1
2014-15	9,691.1	119.8	1.3
2015-16	9,909.1	218.1	2.3
2016-17 (Gov's Rec.)	10,031.9	122.7	1.2
Change FY 2006-07 to FY 2016-17		\$913.2	10.0%
Detroit CPI 10-Year Percent Change			13.7%
Note: Does not include Budget Stabilization Fund appropriations of \$362.7 million, \$140.0 million, \$75.0 million, \$94.0 million, and \$95.0 million for FYs 2011-12, 2012-13, 2013-14, 2014-15, and 2015-16, respectively; does not include \$230.0 million FY 2013-14 appropriation for the Roads and Risks Reserve Fund.			

Table 32

FEDERAL FUNDS APPROPRIATED IN MICHIGAN BUDGET (Millions of Dollars)			
Fiscal Year	Federal Funds	Adjusted Gross Appropriations	Federal as Percent of Total Adjusted Gross
2000-01	\$10,019.2	\$36,953.3	27.11%
2001-02	11,242.9	38,751.3	29.01
2002-03	12,226.7	39,553.1	30.91
2003-04	12,361.6	39,115.3	31.60
2004-05	12,855.5	39,908.5	32.21
2005-06	13,179.9	41,322.7	31.89
2006-07	13,436.1	41,851.8	32.10
2007-08	14,669.5	43,616.5	33.63
2008-09	21,124.7	47,941.9	44.06
2009-10	19,940.9	45,656.6	43.68
2010-11	21,314.5	48,089.6	44.32
2011-12	19,730.5	47,598.1	41.45
2012-13	19,372.7	47,758.6	40.56
2013-14	20,500.2	50,199.5	40.84
2014-15	22,672.9	53,074.9	42.72
2015-16	23,074.7	53,604.1	43.05
2016-17 (Gov's Rec.)	22,503.9	54,025.4	41.65
Change FY 2006-07 to FY 2016-17		67.5%	29.1%

Table 33

APPROPRIATED FULL-TIME EQUATED CLASSIFIED POSITIONS (FTEs) IN MICHIGAN STATE BUDGET			
Fiscal Year	FTEs	Change	Percent Change
2000-01	64,602.5	971.6	1.5%
2001-02	64,190.1	(412.4)	(0.6)
2002-03	62,760.2	(1,429.9)	(2.2)
2003-04	57,811.1	(4,949.1)	(7.9)
2004-05	57,028.3	(782.8)	(1.4)
2005-06	56,436.4	(591.9)	(1.0)
2006-07	56,760.3	323.9	0.6
2007-08	57,041.7	281.4	0.5
2008-09	56,491.1	(550.6)	(1.0)
2009-10	55,597.2	(893.9)	(1.6)
2010-11	56,089.3	492.1	0.9
2011-12	54,795.5	(1,293.8)	(2.3)
2012-13	53,583.5	(1,212.0)	(2.2)
2013-14	52,797.5	(786.0)	(1.5)
2014-15	52,853.5	56.0	0.1
2015-16	52,692.9	(160.6)	(0.3)
2016-17 (Gov's Rec.)	52,920.2	227.3	0.4
Change FY 2006-07 to FY 2016-17		(3,840.1)	(6.8%)
Detroit CPI 10-Year Percent Change			13.7%
Note: Includes exempt positions in Judiciary.			

Table 34

SCHOOL AID K-12 APPROPRIATION HISTORY (Millions of Dollars)			
State-Funded K-12			
Fiscal Year	Appropriations	Dollar Change	Percent Change
2000-01	\$10,732.3	\$656.5	6.5%
2001-02	11,220.6	488.3	4.5
2002-03	11,334.6	114.0	1.0
2003-04	11,059.3	(275.3)	(2.4)
2004-05	11,113.5	54.2	0.5
2005-06	11,308.0	194.5	1.8
2006-07	11,597.0	288.9	2.6
2007-08	11,421.8	(175.2)	(1.5)
2008-09	11,097.8	(324.0)	(2.8)
2009-10	10,675.1	(422.7)	(3.8)
2010-11	10,803.4	128.3	1.2
2011-12	11,088.9	285.5	2.6
2012-13	11,211.0	122.1	1.1
2013-14	11,506.1	295.1	2.6
2014-15	11,865.8	359.7	3.1
2015-16	12,124.9	259.1	2.2
2016-17 (Gov's Rec.)	12,364.5	239.6	2.0
Change FY 2006-07 to FY 2016-17		\$767.5	6.6%
Detroit CPI 10-Year Percent Change			13.7%

Table 35

PUPIL MEMBERSHIP HISTORY FY 1994-95 to FY 2017-18				
Blend Calculation	Fiscal Year	Local Districts	Charter Schools	Total
50/50	1994-95	1,593,306	0	1,593,306
50/50	1995-96	1,610,130	4,790	1,614,920
50/50	1996-97	1,634,074	11,520	1,645,594
60/40	1997-98	1,651,011	19,202	1,670,213
60/40	1998-99	1,656,186	31,109	1,687,295
75/25	1999-2000	1,651,300	45,290	1,696,590
80/20	2000-01	1,649,085	55,072	1,704,157
80/20	2001-02	1,647,459	62,113	1,709,572
80/20	2002-03	1,647,531	67,336	1,714,867
80/20	2003-04	1,640,929	73,473	1,714,402
75/25	2004-05	1,626,289	81,491	1,707,780
75/25	2005-06	1,607,880	89,654	1,697,534
75/25	2006-07	1,584,435	96,627	1,681,062
75/25	2007-08	1,553,568	98,987	1,652,555
75/25	2008-09	1,517,714	102,030	1,619,744
75/25	2009-10	1,487,297	108,425	1,595,722
75/25	2010-11	1,457,160	112,276	1,569,436
90/10	2011-12	1,432,200	119,900	1,552,100
90/10	2012-13	1,405,599	130,390	1,535,989
90/10 CY	2013-14	1,374,800	147,828	1,522,628
90/10 CY	2014-15	1,356,640	151,368	1,508,008
90/10	2015-16	1,344,100	151,700	1,495,800
90/10	2016-17 Est.	1,332,000	154,000	1,486,000
90/10	2017-18 Est.	1,320,000	156,000	1,476,000

Table 36

STATE SPENDING PER PUPIL			
Fiscal Year	State-Funded Appropriations	Pupils (Millions)	Appropriations Per Pupil
	(Millions of Dollars)		
2000-01	\$10,732.3	1.7042	\$6,297
2001-02	11,220.6	1.7096	6,563
2002-03	11,334.6	1.7149	6,609
2003-04	11,059.3	1.7144	6,450
2004-05	11,113.5	1.7078	6,507
2005-06	11,308.1	1.6975	6,661
2006-07	11,597.0	1.6811	6,898
2007-08	11,421.8	1.6526	6,911
2008-09	11,097.8	1.6197	6,851
2009-10	10,675.1	1.5957	6,690
2010-11	10,803.4	1.5694	6,884
2011-12	11,088.9	1.5521	7,144
2012-13	11,211.0	1.5360	7,299
2013-14	11,506.1	1.5226	7,557
2014-15	11,865.8	1.5080	7,869
2015-16	12,124.9	1.4958	8,106
2016-17 (Gov's Rec.)	12,364.5	1.4860	8,321

Table 37

K-12 SCHOOLS MINIMUM FOUNDATION ALLOWANCE				
Fiscal Year	Enacted Per Pupil	After Reductions	Percent Change	
2000-01	\$6,000	\$6,000	N/A	
2001-02	6,500	6,500	8.3%	
2002-03	6,700	6,626	1.9	
2003-04	6,700	6,626	0.0	
2004-05	6,700	6,700	1.1	
2005-06	6,875	6,875	2.6	
2006-07	7,108	7,085	3.4	
2007-08	7,204	7,204	1.4	
2008-09	7,316	7,316	1.6	
2009-10	7,316	7,151	(2.3)	
2010-11	7,316	7,146	0.0	
2011-12	6,846	6,846	(4.2)	
2012-13	6,966	6,966	1.8	
2013-14	7,076	7,076	1.6	
2014-15	7,251	7,251	2.5	
2015-16	7,391	7,391	1.9	
2016-17 (Gov's Rec.)	7,511	7,511	1.6	
10-Year Change	\$403	\$426		
10-Year % Change	5.7%	6.0%		
10-Year Detroit CPI % Change		13.7%		

Table 38

STATE SPENDING FROM STATE RESOURCES APPROPRIATIONS TOTAL COMPARED IN SELECTED BUDGET AREAS (Millions of Dollars)				
Budget Area	FY 2006-07 Year-to-Date Appropriations	FY 2016-17 Gov's Rec. Appropriations	Dollar Difference	Percent Change
Health and Human Services	\$6,253.3	\$6,679.6	\$426.3	6.8%
Corrections	1,939.7	2,015.2	75.5	3.9
K-12 School Aid	11,597.0	12,364.5	767.5	6.6
Community Colleges	247.8	399.0	151.2	61.0
Higher Education	1,607.8	1,499.6	(108.1)	(6.7)
Revenue Sharing-Constitutional	666.0	781.5	115.5	17.3
Revenue Sharing-Nonconstitutional	405.1	474.2	69.1	17.1
All Other Programs	5,212.0	6,912.6	1,700.7	32.6
Total State Spending	\$27,928.6	\$31,126.2	\$3,197.7	11.4%
Addendum:				
Medicaid Caseload	1,540,400	2,370,000	829,600	53.9%
Prison Population	51,490	44,493	(6,997)	(13.6)
K-12 Pupil Count	1,681,062	1,486,000	(195,062)	(11.6)
University Students	253,576	261,989	8,413	3.3
Community College Students	139,219	136,124	(3,095)	(2.2)
Michigan Personal Income (millions)	\$346,539.1	\$452,592.8	\$106,053.7	30.6%
Detroit Consumer Price Index	199.0	226.4	27.4	13.7%
NOTES: Medicaid Caseload: Number for FY 2016-17 includes the estimated 596,000 individuals who are eligible under the expansion of Medicaid. Prison Population: These are "average population" numbers and do not represent the exact count on any particular date, but demonstrate how many beds are associated with the appropriation; the numbers are taken from the annual appropriation bills. K-12 Pupils: FY 2016-17 pupil count is from the January 2016 Consensus Revenue Estimating Conference (CREC). Community College and University Students: Numbers in FY 2016-17 column reflect the most recent data available, which are FY 2014-15 fiscal-year-equated-students as reported in the Activities Classification Structure (ACS) and the Higher Education Institutional Data Inventory (HEIDI). Michigan Personal Income and Detroit CPI: Numbers are fiscal year averages; FY 2016-17 numbers are January 2016 CREC estimates.				